

# SILICON VALLEY'S CHANGING NONPROFIT SECTOR

Institute for Nonprofit Organization Management

Regional Report Series January 2006



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## **Silicon Valley's Changing Nonprofit Sector**

Regional Nonprofit Sector Report Series

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## Preface

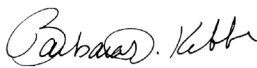
We have recently seen the effects of a steep economic downturn in our own backyard, here in the hotbed of high tech and innovation known throughout the world as Silicon Valley. This study of the nonprofit sector in Silicon Valley shows that the resourceful nonprofits in this area have maintained steady service levels despite the roller-coaster economy and much-reduced funding. This is powerfully good news for a region that is experiencing significant demographic changes and rapid population growth, with attendant increases in human service needs.

But there are limits to what even the most resourceful nonprofits can accomplish with diminishing resources. When will they be stretched too thin? How can government, philanthropy and private citizens work together to ensure that this robust community of nonprofit organizations can rise to the challenges ahead?

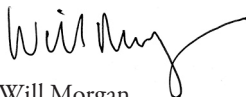
The needs of an area as complex and diverse as Silicon Valley are many and multi-dimensional. So, too, is the task of discovering the leverage points for positive change. Initiatives launched in isolation can sometimes miss the mark. Given the complexity of society's problems and the constraints on available resources, there is a critical need for good longitudinal data and thoughtful cross-sector dialogue to figure out meaningful ways to act in the public's interest. Because this report was prepared with great care, relying on multiple data sources and input from experts and leaders, and because it plots trends over a decade, it is an incomparable tool for those who care about Silicon Valley and its future.

The Skoll Foundation is pleased and proud to have supported this groundbreaking report. Together with the authors, we sincerely hope that colleagues in the funding community, as well as nonprofit leaders and policy makers, will find the material useful in conceptualizing their work and setting priorities. At the very least, it is our collective hope that this report spurs more cross-sector conversations about how to combine efforts and resources to mitigate negative and amplify positive trends for the future of Silicon Valley.

December 2005



Barbara Kibbe  
Vice President for Program and Effectiveness  
Skoll Foundation



Will Morgan  
Program Officer  
Skoll Foundation



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## Executive Summary

Nonprofit organizations provide essential services and amenities for all of us. Whether it is use of a local YMCA, expressing one's views through an environmental organization, accessing hospital services, or help with getting needed housing, we all benefit because of what nonprofits give us. The sector is also a part of the local economy; it employs large numbers of people and purchases supplies and services from other local businesses.

Given this, we do not know enough about the role of the sector in the aggregate – how it is doing, what services it provides and how it changes over time. In this report we look to answer these questions for the Silicon Valley nonprofit sector. We look at its current state and how it has changed between 1994 and 2003. The report is meant to help civic, nonprofit and philanthropic leaders strategize for expected challenges and maximize their investment in the sector.

Silicon Valley includes most of Santa Clara County and the southeastern portion of San Mateo County. This analysis provides an array of important data about the current level of nonprofit activity in Silicon Valley in comparison to recent historical trends and to the Bay Area and California as a whole.

This report relies on the most current data available about nonprofit organization activities and finances from the Internal Revenue Service. It also utilizes demographic data from the US Census, employment statistics from the State of California Employment Development Department, and information on government contracting from San Mateo and Santa Clara county governments to create a comprehensive analysis of the state of the nonprofit sector in Silicon Valley.

### Diverse Needs Drive the Nonprofit Sector

Silicon Valley's recent history is a transition from a rich agricultural region to an economy dominated by high technology activities. The latter has attracted a culturally diverse population, so that now Silicon Valley does not have a majority population and is one of the most diverse localities in the state. It is also economically diverse, with a quarter of the Valley's households earning over \$100,000 in 2000, while another quarter made under \$45,000.

This diversity is fertile ground for a thriving nonprofit sector.

In 2003, Silicon Valley had 8,558 nonprofit organizations known to the Internal Revenue Service, 75 percent of which were 501(c)(3) public charities (6,409 organizations).

Silicon Valley had 3.06 public charities per 1,000 people, slightly more than the state as a whole but less than the Bay Area in its entirety.

Over the past nine years, the number of organizations in Silicon Valley has increased by 30 percent, which exceeds population growth in the same period.

### **Remarkable Growth of Foundations**

Organizations in the human services fields are most numerous in the Silicon Valley, with education and religion-related fields following. The distribution of nonprofits by field of activity is similar to that of the Bay Area and the state as a whole. However, Silicon Valley has a greater proportion of educational organizations and foundations.

More than half of the public charities in Silicon Valley are small enough to be exempted from annual tax filing requirements, while only 8 percent had more than \$1 million in expenditures. This pattern matches the Bay Area and the state. The largest organizations are typically hospitals and universities, though two research institutes are included in the list of Silicon Valley's largest 25 nonprofits.

What most distinguishes Silicon Valley nonprofits is the remarkable growth of foundations.

The number of foundations in Silicon Valley increased by 207.5 percent between 1995 and 2003.

### **Nonprofit Employment Growth**

Nonprofit employees are a significant part of the Silicon Valley workforce.

Silicon Valley nonprofit organizations employed 66,567 people in 2004, which is 6.2 percent of total employment in the region. Nonprofit sector wages contributed \$851 million to the Silicon Valley economy.

Nonprofit employment increased between 1998 and 2004, despite the downturn in the number of private sector jobs.

The average hourly wage for nonprofit employees is higher in Silicon Valley than it is in the rest of the Bay Area or the state of California. However, the wage differential between nonprofit and for-profit jobs is larger in Silicon Valley than it is elsewhere in the state.

The lower wages paid by nonprofits reflect the preponderance of nonprofits in lower wage industries. Within most sectors nonprofit wages are comparable, and sometimes higher, than for-profit wages.

### **Increased Nonprofit Capacity**

Operating nonprofits earned \$8.1 billion in 2003 and spent \$7.7 billion providing services and amenities to the residents of Silicon Valley. Per capita revenues were appreciably larger than the state as a whole and about equal to the Bay Area, due to the presence of Stanford University. Most fields saw revenue growth between 1994 and 2003, but operating margins are shrinking as nonprofits strive to meet demand for their services.

Revenues for the typical Silicon Valley nonprofit organizations were \$138,160, only slightly higher than California's and appreciably below those of the Bay Area.

Silicon Valley nonprofits hold \$41 billion in assets, 18 percent of the total assets of nonprofits in the state.

Silicon Valley foundations are even more prominent in California's philanthropic community with their control of \$18 billion in assets in 2003, 25 percent of the total foundation assets in the state.

The remaining \$23 billion of nonprofit assets belong to operating nonprofit organizations.

### **Donations Increasingly Important**

Earned income in the form of grants, fees, and contracts is the largest source of income, comprising 63 percent of nonprofit sector revenues. This is followed by donations from charitable events and fundraising (31 percent) and investment income (6 percent). Donations and investments provided an increasing percentage of total revenues between 1994 and 2003. Both Santa Clara and San Mateo counties contract considerable dollars to nonprofits, chiefly in the fields of health and human services.

### **Wavering Fiscal Health**

The positive economic trends of the decade we studied are great news, but there are other indications that the sector faces significant financial challenges. The shrinking operating margins shown in our analysis of revenue and expenditure trends is cause for concern.

The number of organizations operating with a deficit increased from 38.1 percent to 43.6 percent between 1994 and 2003. This is a slightly higher percent than is found in the state as a whole (41.2 percent).

### **Matching Resources to Needs**

Maps of demographics and socioeconomic status highlight communities of need within the general prosperity of Silicon Valley. Overlays of aggregate nonprofit activity and specific organizations show that these same communities sometimes lack access to nonprofit organizations that provide relevant services at little or no cost. Our maps of nonprofit location show lower levels of activity in the fast growing southern portion of Silicon Valley.

There are more nonprofits per capita and greater expenditures per capita in the northern portion of Silicon Valley, where an array of service providers are located close to high need communities.

There is a relative absence of nonprofit activity in Gilroy and the surrounding communities to the south, a concern given the increasing population, poverty, and low education in that part of Silicon Valley.

Arts and ethnic cultural organizations are spread broadly throughout the region, as are groups focusing on youth and supporting schools. There is a large cluster of nonprofits available to San Jose's Asian immigrant population on the east side of the city.

There are relatively fewer immigrant serving organizations in Alum Rock and in communities such as Sunnyvale, Cupertino and Santa Clara.

We have a lot of faith in the nonprofit sector in Silicon Valley, but we expect even greater things of it. There are numerous individuals, knowledgeable about the sector and working toward its improvement. There are two county governments that are supportive of the sector and recognize its importance as a part of their service delivery system. There is great wealth to support the sector, found in foundations, corporate donation programs, and in the pockets of individual donors. We hope this report shows ways that the sector could expand and even better meet the needs of the residents of Silicon Valley.

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## The Two Silicon Valleys and Their Importance for the Nonprofit Sector

Silicon Valley has great wealth and great need. It is one of the most diverse communities in the country. The story of nonprofits in the Valley cannot be understood without looking at its history and demographics.

For the last 30 years the name Silicon Valley has conjured up images of imaginative and daring innovation and high tech entrepreneurship. However, the area, originally known for its rich agricultural economy, first had a different moniker – Valley of Heart’s Delight. These two names reference the dueling stories about the Valley, a place with a history grounded in agriculture that grew to influence the worldwide high tech industry.

In this report we find that the Silicon Valley’s nonprofit sector also has two stories. A group of educational, research, and cultural organizations form the fertile intellectual ground that birthed the modern computer industry and brought the greatest concentration of millionaires in the United States. Another set of nonprofits provide assistance through social services, health care, counseling and other services at little or no cost to a burgeoning population of new immigrants and poor residents working in the technology sector, the service industry, and in agriculture.

The contribution of the nonprofit sector in terms of supportive services, civil society development, cultural amenities, and economic inputs is missing, so far, from the Silicon Valley story. In this report, the Institute for Nonprofit Organization Management at the University of San Francisco provides an overview of the nonprofit sector in its current form, and as it has changed over the past decade.

### Silicon Valley History

This region has always had an important place in California history – San Jose, founded in 1777, was California’s first town, as well as the first state capital. The area developed as a rich agricultural valley, fed by artesian well water, and linked to markets by railroads built in 1908. Prior to the Second World War, the area was the center of the canning and fruit packing industry.

A confluence of factors gave rise to the technology revolution in the Valley and the ensuing innovation it has fostered. Leland Stanford, a railroad baron who had presided over the western link to the Union Pacific transcontinental railroad, founded Stanford University in 1891. From its founding, the university has been a source of scientific research and development expertise beginning with radio equipment. These developments attracted the US military, which established naval air stations at Moffett Field in the 1930s. Simultaneously, Stanford faculty encouraged their engineering students to start companies near the university.

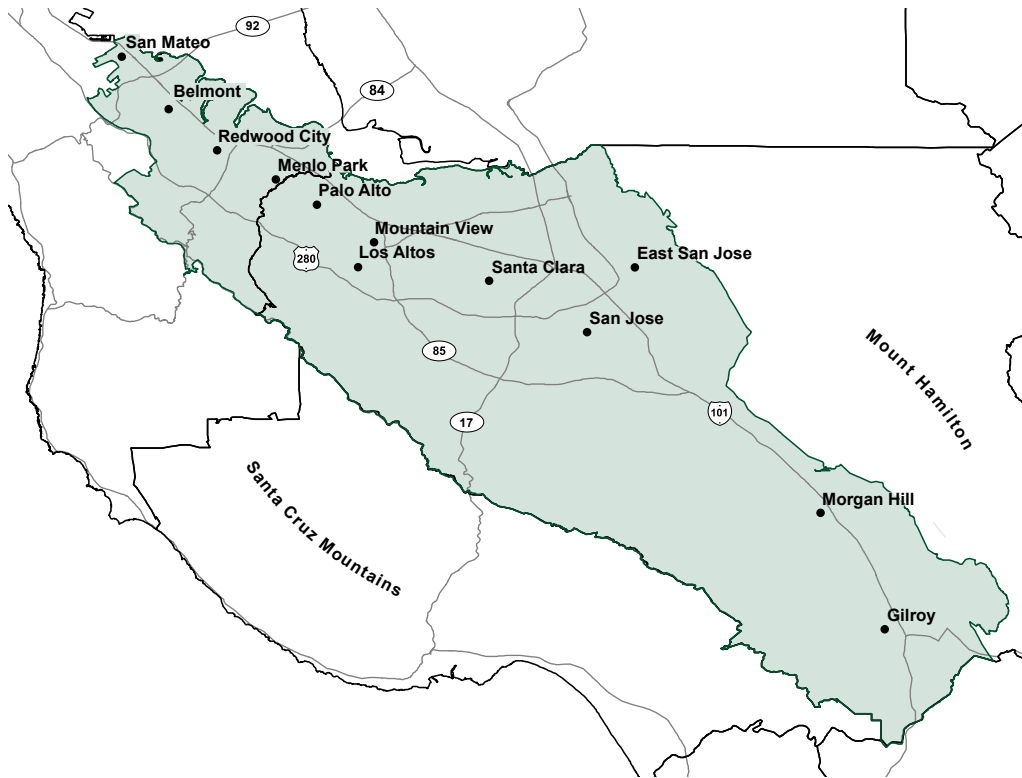
In a move that many consider to be the start of the computer revolution, Stanford University leased the land that became the Stanford Research Park in the late 1950s, which eventually housed over 70 technology companies.<sup>1</sup>

The opportunities offered by these early businesses attracted the best young minds from a variety of high tech fields – defense, electronics, software, and biosciences. They in turn, have formed suc-

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1. “Santa Clara County: California’s Historic Silicon Valley – A National Register of Historic Places Travel Itinerary” National Park Services, <http://www.cr.nps.gov/nr/travel/santaclara> (Dec. 2005).





### Defining Silicon Valley

As the old saying goes, “Silicon Valley is a state of mind.” We’ve found that authors have attributed a variety of boundaries to the region, some more restrictive, others more inclusive – we strove for a middle ground. Our definition includes all of Santa Clara County except Mount Hamilton. It also includes the southeastern portion of San Mateo County, bordered by the Bay and Skyline Boulevard on the east and west, and reaching just north of Highway 92. This portion of San Mateo is home to slightly more than 50 percent of the total population of the county, and receives at least that proportion of county services, some of which are delivered though community based nonprofit contractors.

cessive waves of companies competing to bring emerging technologies to market.

This new technology industry continued to grow with investment from government defense spending during the Cold War. Soon computer companies replaced fruit orchards, and much of the agricultural land in the Valley of Heart’s Delight was converted to office parks and suburban housing for the Silicon Valley workforce.

The Silicon Valley economy gave rise to many of the patterns that we will talk about in this report. The new wealth created by the technology industry in the 1990s drove up housing prices,

funded a fast growing philanthropic sector, gave county government increased revenues that could be spent to improve general civic life and brought new residents from near and far for job opportunities.

### Silicon Valley Today

Silicon Valley is currently home to over 2 million people; its story is as much that of the increased concentration of new immigrants as it is of the creation of new wealth. The 2000 US Census showed that the overall population increase of over 200,000 people was driven by increases in the Asian and Hispanic population, while the

numbers of Non-Hispanic Caucasian and African-American residents declined.

During the 1990s, Caucasians lost their majority status in the Valley, as they have in many of California's metropolitan areas. A new resident in Silicon Valley is likely to be either Asian or Hispanic – the table below shows that growth of these ethnic groups far exceeded that of the overall population. These changes have increased the Valley's diversity index to 82.1, making it one of the most diverse places in the state (a higher diversity index score signifies more diversity).<sup>2</sup>

The region is not only ethnically diverse, it is also economically diverse. According to the last census, a quarter of the Valley's households made

over \$100,000 in 2000, and a quarter made under \$45,000, which is less than the self-sufficiency wage for any household with more than a single adult.<sup>3</sup> These statistics are well known but worth repeating here because of their implications for the nonprofit sector discussed in this report.

Silicon Valley also has a bifurcated labor force. The technology industry creates both high wage and low wage jobs, in the industry itself and in related service sector jobs. High wages and an excess of jobs relative to housing creation means that housing prices have skyrocketed. Workers in the low-wage sector, and even in many public sector jobs such as teachers or police officers, cannot afford to live anywhere near their place of employment.

**Table 1-1**  
Silicon Valley – Growing and Diverse  
Silicon Valley Demographics

	1990		2000		Change
<b>Total population</b>	<b>1,832,211</b>		<b>2,046,971</b>		<b>11.7%</b>
White non-Hispanic	1,099,403	60.0%	947,947	46.3%	<b>-13.8%</b>
African American	73,405	4.0%	56,973	2.8%	<b>-22.4%</b>
Asian or Pacific Islander	286,513	15.6%	479,428	23.4%	<b>67.3%</b>
Hispanic/Latino	362,223	19.8%	487,157	23.8%	<b>34.5%</b>
Diversity Index	75.4		82.1		
<b>AGE</b>					
Adults 18 years and older	1,403,926	76.6%	1,547,405	75.6%	<b>10.2%</b>
Children under 18 years old	428,286	23.4%	499,566	24.4%	<b>16.6%</b>
Persons 65+ years old	172,350	9.4%	204,474	10.0%	<b>18.6%</b>
Children under 5 years old	160,737	8.8%	143,210	7.0%	<b>-10.9%</b>
<b>IMMIGRATION</b>					
Native born population	1,385,864	77.1%	1,369,604	66.9%	<b>-1.2%</b>
Foreign born population	419,935	22.9%	677,367	33.1%	<b>61.3%</b>
<b>EDUCATION</b>					
25+ years old no diploma	209,249	17.3%	221,826	16.2%	<b>-2.0%</b>
25+ years bachelors or graduate/professional degree	402,771	33.3%	563,196	41.2%	<b>39.8%</b>
<b>POVERTY</b>					
Total persons below the poverty level last year	132,564	7.4%	147,011	7.3%	<b>10.9%</b>

Data: 1990 and 2000 US Census

2. Author's calculations based on: Juan Onesimo Sandoval, Hans P. Johnson, and Sonya M. Tafoya, *Who's your Neighbor? Residential Segregation and Diversity in California, California Counts: Population Trends and Profiles* vol. 4 no. 1 (San Francisco: Public Policy Institute of California, 2002) 4.

3. Diana Pearce and Jennifer Brooks, *The Self-Sufficiency Standard for California 2003* (Oakland, CA: National Economic Development and Law Center, 2003)

The nonprofit sector thrives in Silicon Valley because the diverse population demands an array of services and amenities that nonprofit entrepreneurs excel at providing. A resident of the Valley has access to nonprofit services such as Meals on Wheels, dance and theater, legal assistance, affinity groups for professionals, retirees, and others. Education is enhanced by the work of countless Parent Teacher Associations; Kiwanis, Lions and Rotary Clubs organize service opportunities; immigrants form cultural organizations to celebrate their heritage and help each other become established in the United States; numerous high caliber research universities and institutes in medicine, engineering, technology, and social science conduct groundbreaking studies; community developers, working alone and in coalitions with government and philanthropy, strive to help everyone afford a home to call their own.

### **Scope of the Report**

This report utilizes the most authoritative data currently available, based on 2003 tax returns filed with the Internal Revenue Service. We look back over ten years to get a sense of how far the Silicon Valley sector has come, and how it has weathered the economic downturn of 2000. (To anticipate our findings and underscore the comments of one of the astute observers we interviewed, nonprofits are a lagging indicator relative to the economy as a whole, late on upswings and downturns.)

We also compare the Silicon Valley nonprofit sector to the sector in the larger Bay Area and the entire state of California to help measure the status and highlight the unique features of the Silicon Valley sector.

We enhanced the information available from the IRS with employment data from the California Employment Development Department, Labor Market Information Division, which provides all official employment information in the state. These employment and wage data report on workers covered by unemployment insurance and are collected through the Quarterly Census on Employment and Wages (aka ES202) program. Additionally, we collected government contracting data from the departments of Health and Human Services in San Mateo County. For Santa Clara County, we worked with a listing of nonprofit contractors provided by the County Budget Director.

Finally, to help us make sense of all these numbers and figures, we reviewed recent reports and interviewed key personnel in government, philanthropy, and supporting nonprofit organizations. The interviews provided great insight into the dynamics that drive the data we have analyzed, and we thank those people for their generous assistance.

THE HARD NUMBERS DEMONSTRATE  
THE ECONOMIC CONTRIBUTION MADE  
BY NONPROFIT ORGANIZATIONS BEYOND  
THE SERVICES THEY PROVIDE.

Our goal in collecting all of these data is to provide an overview of the status of Silicon Valley's nonprofit sector comparable to the business and industry reports we see for manufacturing, housing, finance, or any other field in the business world. Those reports are used by investors and business planners to decide where to direct their capital investments and other strategic decisions. Some of the uses

for this report are analogous, to help funders in government and philanthropy see how the public charity industry is faring. These funders rely on nonprofit organizations to help deliver services and effect social change in their communities.

Nonprofits often receive the most newspaper coverage when things have gone wrong, and nonprofit leaders fear that “the public does not fully recognize the role they play in the region’s health.”<sup>4</sup> The hard numbers about nonprofit organization revenues, expenditures and employment demonstrate the economic contribution made by nonprofit organizations beyond the services they provide. Nonprofit insiders are familiar with most but perhaps not all these data; this publication is meant to broaden the knowledge about the scope of these contributions.

It is important to note that despite our substantial collection of information, we are not equipped to make evaluative statements about the programs and services provided by the sector. We also cannot report definitively about who exactly uses the programs and services offered by the organizations we are summarizing herein. While we would like to offer more detail, it is not currently collected in a systematic way for the sector as a whole. Data about the nonprofit sector are improving rapidly, and with time we hope to see more specific program data become available.

Nonetheless, the data do outline some important trends about the nonprofit sector that will help philanthropists conduct more strategic and informed grantmaking and provide greater overall understanding of the charitable capacity in Silicon Valley.

## **Broad Trends Affecting the Sector**

The broad economic and demographic trends in Silicon Valley have affected nonprofit organizations in two ways: causing changes in demand for services and changes in resources available for providing programs. In creating a broad overview of these trends, we rely on several sources: interviews with personnel in government, nonprofits, and philanthropy; reports by local organizations about the Valley environment; and qualitative data gathered by the Skoll Foundation and the Global Business Network for a strategic visioning process.

### **Demand Side**

Immigration comes up immediately in conversations about changes affecting the nonprofit sector. The number of immigrants in Silicon Valley increased by 61 percent during the 1990s. According to the 2004 American Community Survey, 49 percent of the residents of Santa Clara County and 28 percent of those in San Mateo County speak some language other than English in the home.

A diverse population creates demand for new services from every kind of nonprofit organization. In Santa Clara County for example, the Office of Human Relations found that immigrants have greater need for health services, child and elderly care, housing and food assistance, and employment training – all areas dominated by nonprofit service providers.<sup>5</sup>

Diverse immigrant needs also spurred county government to increase the amount of contracting to the nonprofit sector. Government staff told us that nonprofit organizations are valued for their ability to provide more culturally competent services to diverse populations than is possible by public agencies.

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4. LaFrance Associates, LLC, *The 2005 Santa Clara County Nonprofit Benchmark Study* (Santa Clara, CA: Community Foundation Silicon Valley, 2005) 36.

5. Santa Clara County Office of Human Relations, Citizenship and Immigrant Services Program, *Bridging Borders* (Santa Clara County, CA, Office of Human Relations) <http://www.immigrantinfo.org/borders/> (Dec. 2005).

Job growth fueled by the technology boom also helped spark a housing shortage, particularly for rental housing, and rising housing costs all around have made Silicon Valley a particularly costly place to live and work.<sup>6</sup> Growing unemployment following the economic downturn of 2000 increased the need for income support, employment assistance, job training and many other assistance services traditionally provided by nonprofit social service organizations.

There were also new mandates by government, particularly the landmark 1996 Welfare Reform legislation which increased funding for services designed to make recipients more self-sufficient. These program changes have increased the numbers of individuals requiring job readiness and placement services, as well as services that support the transition to work such as child care. All have resulted in increased demand for nonprofit organizations.

### Resource Side

The great wealth created by Silicon Valley technology companies and their rising stock prices helped the nonprofit sector grow in the late 1990s. With the great economic growth, the sector grew faster in Silicon Valley than elsewhere in the Bay Area or the state. Foundations started new programs to address local needs and initiatives. Individuals opened donor-advised funds at community foundations and investment banks and continued to give directly to organizations, increasingly over the internet.

Nationally, government funding for social services and community programs returned to levels not seen since the early 1980s, before the Reagan administration cut federal spending dramatically. However, the method of payment changed from grants and contracts to vouchers and tax credits, making that source of funding less secure.<sup>7</sup> Locally, new state programs like early childhood education (First 5) or Proposition 36 increased county contracts to nonprofits.

The global orientation of immigrant communities and their international employers has made local community giving a lower priority than in past decades. There is a perception that people are not personally invested in Silicon Valley because many residents are new to the area and don't consider it their hometown. A study sponsored by Community Foundation Silicon Valley found that 24 percent of Santa Clara residents had lived there for less than 5 years.<sup>8</sup> This lack of local connection creates challenges for fundraising and volunteer recruitment. Whether people will become more invested in their local communities over time remains an open and important question. Helping people see the value of community and supporting it through nonprofit organizations is an important challenge for the sector.

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6. "2005 Out of Reach" (National Low Income Housing Coalition) <http://www.nlihc.org/oor2005/> (Dec. 2005).

7. Lester Salamon, "The Resilient Sector," *The State of Nonprofit America*, ed. Lester Salamon (Washington DC: Brookings Institution Press, 2002).

8. Collaborative Economics, *Giving Back the Silicon Valley Way: 2002 Report on Giving and Volunteering in Silicon Valley* (Santa Clara, CA: Community Foundation Silicon Valley) 7.



## What Distinguishes the Silicon Valley Nonprofit Sector?

Silicon Valley's nonprofit sector is young, growing, and more resilient than the state as a whole. It has shown a remarkable growth in the number of foundations. Nonprofit employment has grown despite a decline in the number of private sector jobs.

There is a large literature defining the nonprofit sector. In this report, we follow standard practice and consider organizations that have been declared tax-exempt by the Internal Revenue Service, under section 501(c) of the tax code. These voluntary, nongovernmental, civil society organizations are all nonprofits in that they do not distribute any profit they may earn to any private individual or shareholder. The overwhelming majority of these are classified as 501(c)(3), a tax code designation for organizations operating "exclusively for religious, charitable, scientific, or educational purposes."<sup>1</sup> These organizations are more popularly understood to be those where donations can be declared as tax deductions for those who itemize.

This report focuses on organizations that register for tax exemption with the Internal Revenue Service. As such, it misses many small organizations with annual revenues under \$5,000 that are automatically considered tax exempt by the IRS. There are also an unknown number of slightly

larger nonprofits that should register but do not do so, and are therefore excluded from our data. Similarly, religious organizations do not have to register, although many do. These limitations constrain our ability to generalize to the voluntary portion of the nonprofit sector. Despite these limitations, the data analyzed in this report offer the most complete picture available of the overall nonprofit sector, and include an impressive array of organizations.

### 501(c) Subsection Breakdown

In 2003, Silicon Valley had 8,558 nonprofit organizations, 75 percent of which were 501(c)(3) public charities. Though the differences between regions are not great, table 2-1 shows that Silicon Valley has a slightly greater proportion of 501(c)(3) and (c)(7) organizations compared to the Bay Area and the entire state. Social and recreational clubs make up the majority of the 501(c)(7) organizations; these are primarily fraternities and sororities on local university campuses, but also include groups such as the famous Homebrew Computer Club where the first Apple Computers were introduced.<sup>2</sup>

**Table 2-1**  
Silicon Valley Nonprofit Density Lags Bay Area.  
Number of organizations and per 1,000 persons by 501(c) Subsection, 2003

	Silicon Valley			Bay Area			California		
	total	proportion	per capita	total	proportion	per capita	total	proportion	per capita
501(c)3 - Public Charities	6,409	74.9%	3.06	26,021	74.2%	3.72	104,171	73.3%	2.92
501(c)4 - Civic Leagues, Social Welfare Organizations	521	6.1%	--	2,114	6.0%	--	9,535	6.7%	--
501(c)5 - Labor and Agricultural Organizations	217	2.5%	--	955	2.7%	--	4,899	3.4%	--
501(c)6 - Business Leagues, Chambers of Commerce	418	4.9%	--	1,748	5.0%	--	6,730	4.7%	--
501(c)7 - Social and Recreational Clubs	435	5.1%	--	1,545	4.4%	--	5,759	4.1%	--
Other 501(c) Subsections	558	6.5%	--	2,695	7.7%	--	10,970	7.7%	--
<b>TOTAL 501(c) Nonprofit Organizations</b>	<b>8,558</b>	<b>100.0%</b>	<b>4.08</b>	<b>35,078</b>	<b>100.0%</b>	<b>5.02</b>	<b>142,064</b>	<b>100.0%</b>	<b>3.98</b>

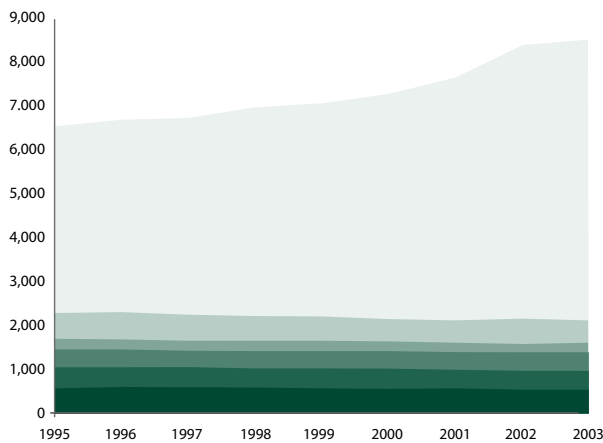
Data: Internal Revenue Service Exempt Organizations Master Files  
California Department of Finance E-4 Population Estimates

1. Murray S. Weitzman, Nadine T. Jalandoni, Linda M. Lampkin, and Thomas H. Pollak, *The New Nonprofit Almanac & Desk Reference* (San Francisco: Jossey-Bass) 7.  
2. Reporting on a recent reunion of Homebrew members, CNET news.com called it "one of the most influential computer users' groups of all time." ([http://news.com.com/Crowd+gathers+for+Homebrew+Computer+Clubs+30th/2100-1042\\_3-5935261.html](http://news.com.com/Crowd+gathers+for+Homebrew+Computer+Clubs+30th/2100-1042_3-5935261.html)) Thanks to John Kreidler of Cultural Initiatives Silicon Valley for pointing out this famous nonprofit in the 2005 Creative Community Index.

**Figure 2-1**

### Nonprofit Sector Grew Rapidly After 2000

Growth of Silicon Valley Nonprofit Sector by 501(c) Subsection, 1995-2003



Data: Internal Revenue Service Exempt Organizations Master Files  
National Center for Charitable Statistics Business Master Files

The number of nonprofits per 1,000 residents is slightly higher than the state as a whole, although appreciably below that for the Bay Area. The relative high density of organizations in the Bay Area is driven by San Francisco and Marin County, which are particularly rich in nonprofit organizations with more than 6 per 1,000 residents, and to a lesser extent by Alameda and Napa counties.<sup>3</sup>

The nonprofit sector has grown steadily for many years. Over the past nine years the number of organizations in Silicon Valley has increased by 30 percent, with an average annual growth rate of 3.4 percent.<sup>4</sup> The Silicon Valley growth rate is slightly higher than the Bay Area and the state, and is driven by the increase in 501(c)(3) organizations, which have grown by over 50 percent (figure 2-1). The number of nonprofits per capita has also increased, which is notable considering the major population growth in Silicon Valley during this time (figure 2-2).

- 501(c)(3) - Public Charities
- 501(c)(4) - Civic leagues, social welfare orgs, employee associations
- 501(c)(5) - Labor, agricultural, and horticultural orgs
- 501(c)(6) - Business leagues and chambers of commerce
- 501(c)(7) - Social and recreational clubs
- Other 501(c) subsections

### Growth Rate Comparisons

**29.4%** California

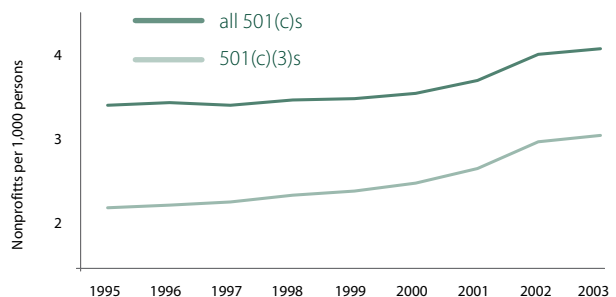
**25.5%** Bay Area

**30.5%** Silicon Valley

**Figure 2-2**

### Public Charities Lead Nonprofit Sector Growth

Growth of Silicon Valley Nonprofits per capita, 2003



Data: Internal Revenue Service Exempt Organizations Master Files  
National Center for Charitable Statistics Business Master Files  
California Department of Finance E-4 Population Estimates

At this point we turn our focus to the 501(c)(3) organizations. They dominate the sector because they are the only ones eligible for tax deductible contributions from individuals and other organizations. For this reason, government and foundation grants are limited to these organizations. These nonprofits are the hospitals and universities, museums and cultural centers, providers of day care and senior services, which we all associate with the term “nonprofit.”

3. A complete listing of the number of nonprofits per capita for each county is available at <http://www.inom.org/research/>.

4. The data for 1994 was not available for this analysis, but we expect that the trend was consistent based on literature in the field.

This focus is not meant to reduce the importance of other non-501(c)(3) organizations in Silicon Valley, particularly those that support community and civil society in the region. We have chosen to focus on 501(c)(3)s because their services are critical in so many ways to the health and prosperity of any community.<sup>5</sup> Given this essential role, we want foundation program officers, government policymakers, and concerned community members to know more about how nonprofits are doing and where they are lacking so that we can all make more informed decisions to improve the situation.

### Age and Closures

The best measure available for the birth of a nonprofit organization is when it received IRS tax exemption. Less formal organizations may exist for some time before they apply for tax exemption, but any group hoping to collect donations or apply for grants will only be able to operate in this fashion after it has received exemption. As table 2-2 shows, most of the sector is relatively young, with half of the nonprofits becoming formalized in the last 15 years. The nonprofit sector in Silicon Valley is slightly younger than in the rest of the Bay Area, and California, but the differences are small.

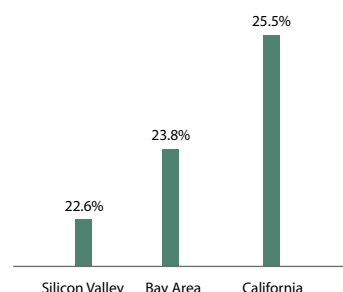
**Table 2-2**  
Silicon Valley Nonprofits Match on Age  
Operating Public Charities, 2003

Tax exemption ruling date	Silicon Valley		Bay Area		California
	#	%	%	%	%
Prior to 1970	1,037	22.0%	20.9%	23.1%	
1970-79	726	13.5%	14.9%	13.3%	
1980-89	927	14.4%	15.2%	14.9%	
1990-99	2,003	28.1%	29.3%	28.7%	
Since 2000	1,677	22.0%	19.7%	20.0%	
<b>TOTAL</b>	<b>6,370</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

Data: Internal Revenue Service Exempt Organizations Master File

All of the growth obscures the number of organizations that closed or merged during this time. The figure below shows the proportion of nonprofits filing in 1994 that do not appear in the 2003 data to provide an approximation of the rate of closures. This only considers organizations large enough to file annual tax returns. The comparison shows that Silicon Valley nonprofits have been relatively more resilient than the state as a whole using our measure.

**Figure 2-3**  
Silicon Valley Nonprofits Were Less Likely to Close  
Proportion of Organizations in 1994 Absent from 2003 Data



Data: National Center for Charitable Statistics Core Files

As one might expect, table 2-3 shows that small organizations are more susceptible to closure. Organizations with less than \$250,000 in expenditures in 1994 were less likely to appear in 2003 across the board. However, in Silicon Valley there was a greater chance of closure for large organizations when compared to the Bay Area or to the state as a whole.

**Table 2-3**  
Large Organizations in Silicon Valley Appear Less Resilient  
Proportion of Organizations in 1994 Absent from 2003 Data

Organization expenditures	Silicon Valley	Bay Area	California
Under \$250,000	26.0%	27.9%	29.8%
\$250,000 - \$1M	20.2%	19.0%	19.2%
\$1M - \$5M	14.2%	11.2%	13.0%
Over \$5M	17.9%	14.8%	14.7%
<b>TOTAL</b>	<b>22.6%</b>	<b>23.8%</b>	<b>25.5%</b>

Data: National Center for Charitable Statistics Core Files

5. Lester Salamon "The Resilient Sector" *The State of Nonprofit America* ed. Lester Salamon (Washington DC: Brookings Institution Press).

## What Distinguishes the Silicon Valley Nonprofit Sector? cont.

The number of closures or mergers also varies by field. In Silicon Valley, the health and public benefit fields have weathered a larger percentage share than the sector as a whole (table 2-4). This reflects the more competitive environment of the health field, which probably forces organizations to merge more often.

**Table 2-4**  
Health and Public Benefit Fields Faced More Closures  
Organizations in 1994 but not 2003 data, Silicon Valley

NTEE major subsector	#	%
Health	46	28.4%
Public Benefit and Others	63	27.4%
Human Services	113	22.4%
Arts, Culture, and Humanities	34	21.0%
Education	53	17.2%

Data: National Center for Charitable Statistics Core Files

### Fields of Activity

To better understand how nonprofits serve Silicon Valley, we need to look at what they actually do. For this we rely upon the NTEE classification scheme (see appendix) in order to break out the nonprofit sector by field. Typical for the sector, human services and education are the largest fields

in the sector, followed by religion, foundations and arts (table 2-5). The religion field may include churches and places of worship if they decide to file with the IRS, but it should not be confused with a complete accounting of all such entities.

These rankings are consistent with the Bay Area and the state as a whole, but Silicon Valley has a higher proportion of educational and religious organizations. The majority of the educational organizations are Parent Teacher Associations (PTAs). Silicon Valley is known for having high quality public schools, which seem to be supported by parent involvement in PTAs.

While there was strong growth across the entire nonprofit sector, figure 2-4 shows the remarkable pace of particular fields within the sector. Although there was an increase in the number of nonprofits across all fields in Silicon Valley, foundations clearly stand out as the field with the most remarkable growth, increasing from 280 organizations in 1995 to 860 in 2003. This growth of foundations in the Valley is nearly double that of the Bay Area or the state.

**Table 2-5**  
Education Distinguishes the Silicon Valley Nonprofit Sector  
Number of Organizations by Field, Public Charities, 2003

	Silicon Valley		Bay Area		California	
	#	%	#	%	#	%
Arts, Culture, and Humanities	637	9.9	2,978	11.4	10,111	9.7
Education	1,195	18.6	4,366	16.8	16,447	15.8
Higher Education	18	0.3	96	0.4	353	0.3
Health	318	5.0	1,480	5.7	6,080	5.8
Hospitals	18	0.3	83	0.3	441	0.4
Human Services	1,293	20.2	5,793	22.3	23,891	22.9
Environment	134	2.1	751	2.9	2,973	2.9
International	114	1.8	481	1.8	1,404	1.3
Mutual Benefit	13	0.2	70	0.3	331	0.3
Public and Societal Benefit	439	6.8	1,707	6.6	6,093	5.8
Foundations and Giving Programs	861	13.4	2,675	10.3	8,437	8.1
Religion	1,085	16.9	4,083	15.7	21,453	20.6
Unknown	284	4.4	1,458	5.6	6,157	5.9
<b>TOTAL</b>	<b>6,409</b>	<b>100</b>	<b>26,021</b>	<b>100</b>	<b>104,171</b>	<b>100</b>

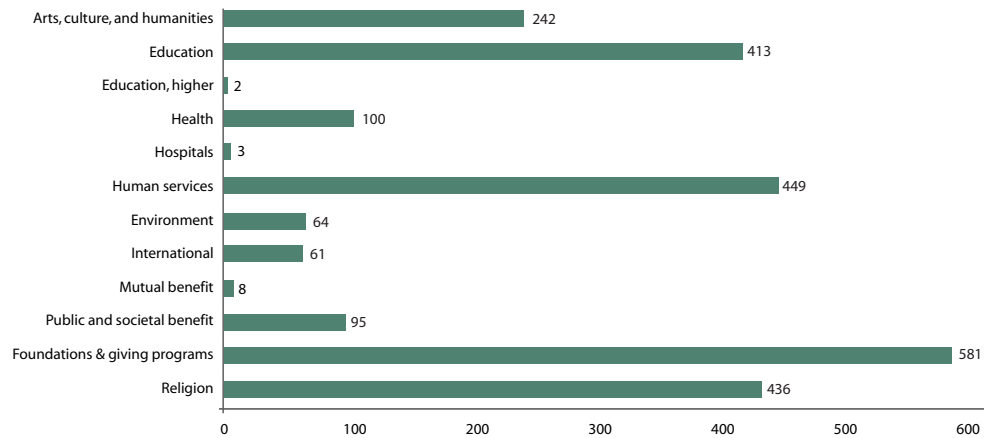
Data: IRS Exempt Organizations Master File

## What Distinguishes the Silicon Valley Nonprofit Sector? cont.

**Figure 2-4**

### New Foundations Lead Silicon Valley Nonprofit Growth

Growth in Number of Organizations by Field, Silicon Valley Public Charities, 1995-2003



It is surely a result of the wealth produced by the technology boom, but also the advent of donor advised funds and other new instruments that have “democratized” individual charitable giving.<sup>6</sup> Mutual benefit and international organizations also grew significantly, but they make up a smaller proportion of the sector as a whole.<sup>7</sup>

### Size

The uneven distribution of assets and resources in the nonprofit sector is well known to scholars and nonprofit constituencies. Most nonprofits are small organizations with few or no paid staff persons. This means that the majority of the revenues and assets in the sector belong to the

**Table 2-6**

### Most Nonprofits are Small

Nonprofit Organizations by Field and Expenditures, Silicon Valley Public Charities, 2003

	Non filers	Organization size based on expenditures			
		Under \$250,000	\$250,000 - \$1M	\$1M - \$5M	Over \$5M
Arts, Culture, and Humanities	55.7%	31.7%	8.0%	3.3%	1.3%
Education	47.6%	38.2%	6.8%	5.4%	1.9%
Higher Education	5.6%	33.3%	16.7%	11.1%	33.3%
Health	41.5%	29.2%	11.9%	11.6%	5.7%
Hospitals	22.2%	38.9%	0.0%	0.0%	38.9%
Human Services	45.2%	30.0%	12.1%	9.9%	2.7%
Environment	40.3%	42.5%	9.0%	4.5%	3.7%
International	53.5%	35.1%	7.0%	4.4%	0.0%
Mutual Benefit	84.6%	0.0%	0.0%	15.4%	0.0%
Public and Societal Benefit	56.7%	28.5%	8.2%	4.6%	2.1%
Foundations and Giving Programs	22.0%	58.3%	12.4%	5.1%	2.2%
Religion	86.3%	10.8%	2.4%	0.6%	0.0%
Unknown	88.4%	8.8%	1.8%	1.1%	0.0%
<b>TOTAL</b>	<b>53.0%</b>	<b>31.5%</b>	<b>8.2%</b>	<b>5.3%</b>	<b>2.0%</b>

Data: IRS Exempt Organizations Master File  
National Center for Charitable Statistics Core Files

6. Virginia Hodgkinson “Individual Giving and Volunteering” *The State of Nonprofit America* ed. Lester Salamon (Washington DC: Brookings Institution Press).

7. Additional tables are available in the appendix.



## What Distinguishes the Silicon Valley Nonprofit Sector? cont.

**Table 2-7**

**Few Nonprofits Hold Significant Assets**

Nonprofit Organizations by Field and Total Assets, Silicon Valley Public Charities, 2003

	Non filers	Organization size based on total assets			
		Under \$250,000	\$250,000 - \$1M	\$1M - \$5M	Over \$5M
Arts, Culture, and Humanities	60.2%	27.5%	6.8%	2.7%	2.8%
Education	59.0%	29.3%	5.2%	3.8%	2.7%
Higher Education	5.6%	33.3%	11.1%	22.2%	27.8%
Health	43.6%	28.8%	13.6%	8.8%	5.2%
Hospitals	26.3%	26.3%	5.3%	10.5%	31.6%
Human Services	63.0%	20.2%	7.0%	5.7%	4.0%
Environment	49.0%	29.9%	11.5%	5.1%	4.5%
International	56.6%	34.4%	4.1%	4.1%	0.8%
Mutual Benefit	99.2%	0.0%	0.0%	0.4%	0.4%
Public and Societal Benefit	83.0%	10.0%	3.8%	2.3%	0.9%
Foundations and Giving Programs	25.8%	29.8%	17.8%	15.9%	10.7%
Religion	86.5%	8.9%	2.6%	1.8%	0.2%
Unknown	91.7%	4.8%	1.8%	1.0%	0.8%
<b>TOTAL</b>	<b>64.8%</b>	<b>20.1%</b>	<b>6.7%</b>	<b>5.0%</b>	<b>3.4%</b>

Data: IRS Exempt Organizations Master File  
National Center for Charitable Statistics Core Files

largest organizations, which make up 5 percent or less of the sector. The Silicon Valley sector follows this pattern – 53 percent of the organizations in the sector are not required to file annual tax returns because they have less than \$25,000 in annual revenues (table 2-6).

The next 32 percent of the nonprofits had less than \$250,000 in total expenditures in 2003. Finally, only 8 percent have annual budgets over \$1 million. This pattern matches the sector in the Bay Area and the entire state. Silicon Valley environmental and education groups are even more likely to be small. Mid-sized organizations are more prevalent in health and human services, and hospitals and universities are generally the largest organizations in the region.

In our analysis of total assets in the sector (table 2-7) hospitals, universities, and foundations stand out from other nonprofit fields, as expected. Religious organizations and organizations

working in international and foreign affairs are the least likely to have significant assets. Education organizations are also smaller, likely a reflection of the voluntary parent involvement typical of these organizations.

### Employment

Silicon Valley nonprofit organizations employed 66,567 people in June 2004, which was 6.2 percent of total employment in the region. Nonprofit sector wages contributed \$851,190,723 to the Silicon Valley economy. More importantly, nonprofit sector employment has risen every year since 1998, despite overall employment declines in Santa Clara and San Mateo counties. This rise in overall employment mirrors the growth in the number and revenues of nonprofits.

Employment data are based on data collected by the California Employment Development Department (EDD) for the Quarterly Census

of Employment and Wages (ES-202) program, which tracks workers covered by unemployment insurance.<sup>9</sup> We determined nonprofit sector employment by asking the EDD to match ES-202 employer records to IRS listings of tax exempt organizations. Employment in for-profit firms is the difference between total private employment and nonprofit employment. Government employment is provided separately by the EDD.

The data in table 2-8 show that nonprofit organizations added just over 20,000 jobs between 1998 and 2004. Job growth was strongest in 2000 and 2001 but has slowed since then. Nonprofit employment growth was counter to the trend in overall private employment in San Mateo and Santa Clara counties; for-profit employment declined by 12 percent in the same period. Slower job growth in 2004 may be a sign that organizations are being more careful to maximize their existing capacity before they add new workers to their payrolls. Now that overall employment in Silicon Valley is rising again (based on 2005 data), it will be interesting to see whether nonprofit sector employment picks up as well.

**Table 2-8**  
Nonprofit Employment Growth Defied the Regional Trend  
Silicon Valley Nonprofit and Total Private Employment

Year	Nonprofit Employment	Nonprofit Employment Growth	Total Private Employment	Private Employment Growth
1998	45,727	--	1,193,877	--
1999	48,160	5.3%	1,214,357	1.7%
2000	53,886	11.9%	1,286,654	6.0%
2001	60,163	11.6%	1,251,816	-2.7%
2002	64,470	7.2%	1,126,612	-10.0%
2003	65,365	1.4%	1,058,295	-6.1%
2004	66,567	1.8%	1,054,501	-0.4%

Data: California Employment Development Department

Note: Total private employment covers all of Santa Clara and San Mateo counties. Nonprofit employment totals are for June of each year. Total private employment represents average monthly employment for the calendar year

Table 2-9 shows both the percent of employment that is found in the three sectors and the average hourly wage. The percent of the labor force that works in nonprofits in Silicon Valley is slightly higher than that found in the state as a whole, but lower than that found in the Bay Area. The big differences, however, are in the for-profit employment sector, where a greater percentage of the labor force works than elsewhere in the state. This has importance for the general cost of living – particularly of housing – because of the much higher average wages found in for-profit employment.

**Table 2-9**  
Overall High Wages in Silicon Valley  
Employment and Wages by Sector, June 2004

	Silicon Valley		Bay Area		California	
	Relative Employment	Average Hourly Wage	Relative Employment	Average Hourly Wage	Relative Employment	Average Hourly Wage
Nonprofit	6.2%	\$24.53	7.2%	\$21.14	6.0%	\$18.82
For-profit	83.4%	\$32.11	78.8%	\$26.59	78.0%	\$19.90
Government	10.4%	\$26.30	14.1%	\$26.08	16.0%	\$22.58
<b>TOTAL</b>	<b>100.0%</b>	<b>\$31.04</b>	<b>100.0%</b>	<b>\$26.13</b>	<b>100.0%</b>	<b>\$20.27</b>

Data: California Employment Development Department, ES-202 program  
Note: Silicon Valley refers to all of San Mateo and Santa Clara counties.

9. Additional information about the Quarterly Census of Employment and Wages data is available at <http://www.calmis.ca.gov/file/es202/CEW-About.htm>.

The average hourly wage in Silicon Valley nonprofit organizations is higher than for nonprofits in the greater Bay Area or California. This is not surprising considering that Santa Clara and San Mateo counties have the highest overall private sector wages in California. Unfortunately, average wages in the nonprofit sector are still lower than in either the for-profit sector or government. This difference is greatest in Silicon Valley, where the average for-profit hourly wage is almost \$6 higher than the average nonprofit hourly wage, not including stock options and other fringe benefits.

One reason that overall nonprofit sector wages lag other sectors is that nonprofits are more likely to operate in relatively low wage fields. The table below shows that fields such as social advocacy and emergency relief are low paying and dominated by nonprofit employment.

The data in table 2-10 also shows that nonprofit average wages are competitive with for-profit wages in several industries (comparable data for government was not available). Nonprofit sector wages are similar to for profit wages in the health sector and hospitals, and somewhat higher in emergency/relief services, nursing and residential care, and

**Figure 2-5**  
Nonprofit Wages are Increasing  
Average Hourly Wage, Nonprofit Employees, Silicon Valley



childcare. The wage differential is highest in social advocacy and civic organizations, and grantmaking and giving services, where there are relatively few people working in for-profit firms.

Thus, this comparison shows that the widely held belief that nonprofit employment pays less than for-profit employment is not accurate. Differences in for-profit and nonprofit wages have more to do with the industrial sector within which nonprofit employees work than with the fact they work for a nonprofit organization.

**Table 2-10**  
Nonprofit Wage Differential Varies by Industry  
Wages for Select Industries, Silicon Valley, 2004

	Nonprofit Employment	Nonprofit Portion of Industry Employment	Nonprofit Average Hourly Wage	For Profit Average Hourly Wage
Social Advocacy Organizations	983	91.3%	\$16.77	\$51.05
Civic and Social Organizations	2,555	89.5%	\$7.20	\$13.01
Emergency and Other Relief Services	648	86.7%	\$16.08	\$15.04
Vocational Rehabilitation Services	2,193	81.7%	\$10.00	\$14.01
Grantmaking and Giving Services	903	76.1%	\$32.09	\$17.89
Individual and Family Services	2,819	68.5%	\$14.67	\$16.48
Hospitals	15,651	43.8%	\$29.33	\$30.06
Child Day Care Services	1,915	33.8%	\$13.36	\$11.72
Nursing and Residential Care Facilities	3,345	24.9%	\$15.21	\$13.20
Arts, Entertainment, and Recreation	3,639	18.3%	\$9.90	\$11.62
Scientific Research and Development Services	4,364	16.1%	\$34.55	\$53.17
Ambulatory Health Care Services	3,562	10.5%	\$22.84	\$23.63

Data: California Employment Development Department, ES-202 program

## Nonprofit Sector Finances and Fiscal Health

The story of nonprofit finances has been a stressful one over the past few years by all accounts. In local and national surveys, nonprofit managers report that they have had to do more with less – demand for nonprofit organization services continues to grow while funding has become scarcer. Our analysis of aggregate revenues and expenditures for Silicon Valley confirms these front line reports.

Nonprofit organizations control significant financial resources in Silicon Valley. In 2003 they earned \$8.1 billion in revenues, spent \$7.7 billion providing services, and held \$41.1 billion in assets. Nonprofit revenues in Silicon Valley have grown by \$2 billion in constant 2003 dollars since 1994. With a population of over 2 million people in the region, this amounts to the nonprofit sector spending \$3,693 per person in Silicon Valley. This amount exceeds per capita spending for the state as a whole and nearly equals per capita spending for the Bay Area (table 3-1). The total assets per capita are appreciably higher than the Bay Area or California, reflecting the strong presence of foundations in the valley.

**Table 3-1**  
Nonprofit Financials, Summerized

	Silicon Valley	Bay Area	California
Expenditures per capita	\$3,693	\$3,730	\$2,750
Revenues per capita	\$3,886	\$3,832	\$2,954
Assets per capita*	\$19,571	\$13,672	\$6,119
Average Revenues	\$3,955,263	\$3,079,490	\$3,539,079
Median Revenues	\$138,160	\$163,165	\$133,507

\* Foundations and other supporting organizations are only included in total assets.

Revenue and Expenditure calculations for the Bay Area includes 15% of Catholic Healthcare West based on facility location and 20% of Kaiser Permanente based on membership, and excludes supporting organizations.

Data: National Center for Charitable Statistics Core Files  
California Department of Finance E-4 Population Estimates

However, as is also shown in the table above, total revenues need to be understood in light of the distribution of revenues from one organization to the next. The median revenue of a Silicon Valley organization is \$138,160 – smaller than the median for the Bay Area and slightly larger than

the median for the state as a whole (the median is the middle – half of the organizations have higher revenues and half have lower). The average revenue earned by an organization, on the other hand, is much higher than that of the Bay Area as a whole (almost \$4 million dollars as compared to slightly more than \$3 million). It is also higher than the average revenue for the state. This seeming contradiction reflects the financial stature of Stanford University and its affiliated health services. Their revenues are so large that they cause the average for Silicon Valley to be much higher than would otherwise be the case.

### Revenue and Expenditures

A more detailed examination of nonprofit finances by field of activity demonstrates the diversity of the sector. Many observers focus on nonprofit revenues with an implicit assumption that 100% of annual revenues are spent each year. As our gross figures illustrate, the sector maintains a positive operating margin. On the whole, total expenses are less than total revenues. This is also true for most organizations individually – 56.5 percent have a positive operating margin. The size of that margin and the number of organizations in the black are important measures of fiscal health for the sector.

In the following analysis, total revenue includes all grants and contributions, contracts, fees charged for services, sales of goods, income from investments, and net fundraising income.

**Table 3-2**

Education dominates the Silicon Valley Nonprofit Sector  
Total Expenditures 2003

	Silicon Valley		Total Expenditures (\$ Millions)		California	
			Bay Area			
Arts, Culture, and Humanities	\$160.4	2.1%	\$907.9	3.5%	\$2,339.2	2.4%
Education	\$435.1	5.6%	\$1,365.6	5.2%	\$4,136.5	4.2%
Higher Education	\$2,690.4	34.8%	\$3,517.3	13.5%	\$8,516.8	8.7%
Health	\$877.5	11.3%	\$5,726.5	22.0%	\$26,026.1	26.5%
Hospitals	\$1,936.6	25.0%	\$7,611.1	29.2%	\$34,119.8	34.8%
Human Services	\$941.0	12.2%	\$4,294.0	16.5%	\$14,855.2	15.1%
Environment	\$63.8	0.8%	\$478.8	1.8%	\$1,032.9	1.1%
International	\$14.1	0.2%	\$275.7	1.1%	\$1,575.0	1.6%
Mutual Benefit	\$4.3	0.1%	\$372.2	1.4%	\$426.0	0.4%
Public and Societal Benefit	\$587.4	7.6%	\$1,368.1	5.2%	\$3,624.4	3.7%
Religion	\$29.6	0.4%	\$127.1	0.5%	\$1,426.3	1.5%
Unknown	\$0.0	0.0%	\$21.0	0.1%	\$75.3	0.1%
<b>TOTAL Operating Organizations</b>	<b>\$7,740.2</b>	<b>100.0%</b>	<b>\$26,065.3</b>	<b>100.0%</b>	<b>\$98,153.5</b>	<b>100.0%</b>
Foundations and Supporting Organizations	\$1,439.7	--	\$3,911.5	--	\$10,105.0	--

Bay Area expenditures include 15% of Catholic Healthcare West based on facility location and 20% of Kaiser Permanente based on membership  
Data: National Center for Charitable Statistics Core Files

We draw these data from line 12 of the Internal Revenue Service Form 990. Expenditures include program services, management and general expenses, fundraising expenses, and payments to contractors. These data are based on line 17 of the Form 990. In the case of foundations and supporting organizations, expenditures include contributions and grants paid to other nonprofit organizations, though not necessarily ones located in Silicon Valley.

A technical point must be explained. A portion of the revenues of foundations are spent supporting other nonprofit organizations. We would not want to count this money twice – once as foundation revenue and again as nonprofit revenue. To avoid this we followed the methodology proposed by researchers at the National Center for Charitable Statistics.<sup>1</sup> Organizations with a mission to support other nonprofits such as foundations, trusts, federated

giving programs or fund raising groups are considered separately as supporting organizations in the following analysis. Other 501(c)(3) organizations that are direct service or benefit providers are termed operating organizations.

Financial data reported in the following tables and charts represent those organizations that filed their IRS tax returns. Nonprofits with annual revenues under \$25,000 are not required to file and are not included in this analysis. Churches also are not required to file with the IRS, so their finances are under represented. However, those nonprofits that do file and are included here account for 95 percent of the sector's finances. The longitudinal data reported in this chapter have been adjusted to 2003 current dollars using the consumer price index for the San Francisco-Oakland-San Jose metropolitan statistical area, available from the United States Bureau of Labor Statistics.

1. Thomas H. Pollak and Jonathan D. Durnford, *The Scope and Activities of 501(c)(3) Supporting Organizations*, (Washington D.C.: National Center for Charitable Statistics at the Urban Institute, 2005).



**Table 3-3**  
Revenues Closely Match Expenditures  
Total Revenues 2003

	Silicon Valley		Total Revenues (\$ Millions)		California	
			Bay Area			
Arts, culture, and Humanities	\$162.2	2.0%	\$971.1	3.6%	\$2,732.2	2.6%
Education	\$461.9	5.7%	\$1,441.5	5.4%	\$4,407.9	4.2%
Higher Education	\$2,790.5	34.3%	\$3,636.9	13.6%	\$8,850.2	8.4%
Health	\$927.6	11.4%	\$5,738.4	21.4%	\$30,636.3	29.1%
Hospitals	\$2,170.1	26.6%	\$8,098.0	30.2%	\$35,289.2	33.5%
Human Services	\$958.2	11.8%	\$4,354.3	16.3%	\$15,142.3	14.4%
Environment	\$67.9	0.8%	\$538.5	2.0%	\$1,179.7	1.1%
International	\$13.4	0.2%	\$265.7	1.0%	\$1,614.9	1.5%
Mutual Benefit	\$4.5	0.1%	\$356.4	1.3%	\$433.7	0.4%
Public and Societal Benefit	\$556.4	6.8%	\$1,218.8	4.6%	\$3,510.4	3.3%
Religion	\$31.8	0.4%	\$138.7	0.5%	\$1,558.7	1.5%
Unknown	\$0.0	0.0%	\$21.5	0.0%	\$79.2	0.1%
<b>TOTAL - Operating Organizations</b>	<b>\$8,144.4</b>	<b>100.0%</b>	<b>\$26,779.7</b>	<b>100.0%</b>	<b>\$105,434.6</b>	<b>100.0%</b>
Foundations and Supporting Organizations	\$634.8	--	\$7,281.9	--	\$13,893.4	--

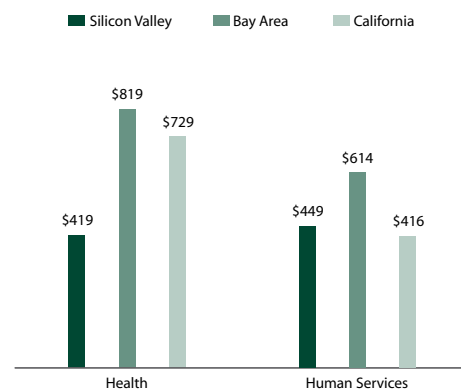
Bay Area revenues include 15% of Catholic Healthcare West based on facility location and 20% of Kaiser Permanente based on membership, and excludes supporting organizations  
Data: National Center for Charitable Statistics Core Files

Our breakout of total expenditures by field shows how much the major universities in Silicon Valley dominate the sector's finances. Unsurprisingly, Stanford University is a large portion of this sub-sector (table 3-2). The broader educational field (*excluding* higher education) also comprises a larger proportion of the revenues and expenditures than in the Bay Area or the state. Public benefit expenditures are also a significantly larger proportion of the sector's finances in Silicon Valley, a result of several large scientific research organizations in the region. These differences highlight the important role that the nonprofit sector plays in supporting the culture of technological innovation in the region.

We provide matching data on nonprofit revenues in table 3-3. Compared against the expenditures shown in table 3-2, nearly every field shows an overall positive operating margin – revenues are greater than expenditures and fields with greater total revenues have larger margins. The apparent deficit in the public and societal benefit field

is due to losses at two large scientific research organizations.

**Figure 3-1**  
Silicon Valley Lags in Health and Human Services  
Per Capita Expenditures in the Health and Human Services Fields



Data: National Center for Charitable Statistics Core Files  
California Department of Finance E-4 Population Estimates

The comparisons presented in figure 3-1 show a significant difference in per capita expenditures between Silicon Valley and other parts of the state in health and human services. Overall, reported health status is good in Silicon Valley;<sup>2</sup> so the

2. Based on author query of California Health Interview Survey data, <http://www.chis.ucla.edu>.

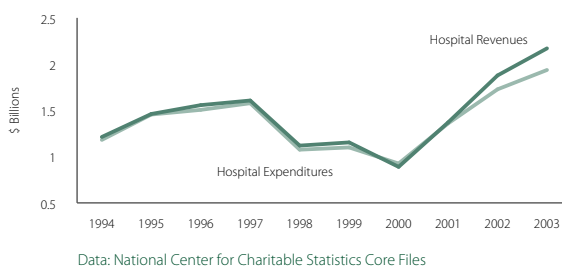
reasons for this deserve further exploration. Is it because of the relatively high incomes in the Valley or is it because more services are delivered through public sector bodies than elsewhere in the state and Bay Area?

### Decade of Change

Obviously the past decade was an exciting time for the Silicon Valley nonprofit sector. Nonprofit revenues grew as the economy in the region took off with the technology boom, providing opportunities to build capacity and try new activities. However, the sector was also affected by the collapse of that economy. It is notable that nonprofit expenditures did not drop significantly in most fields despite the economic downturn.

The following charts compare total revenues and expenditures for different fields of nonprofit organizations. Dollar figures are adjusted for inflation to 2003 current dollars using the consumer price index. Growth in nonprofit revenues exceeded inflation growth in every field.

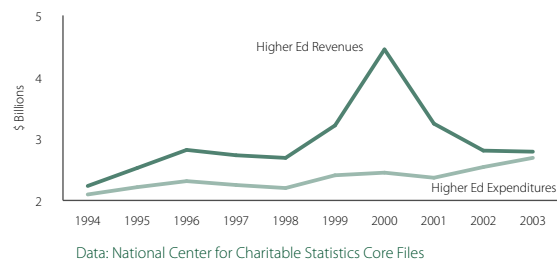
**Figure 3-2**  
Total Expenditures and Revenues in the Hospital Field



Annual revenues for Silicon Valley's nonprofit hospitals grew by 79 percent in constant 2003 dollars, from \$1.2 billion in 1994 to \$2.17 billion in 2003 (figure 3-2). This growth is despite the turmoil of the failed merger of Stanford and UCSF medical

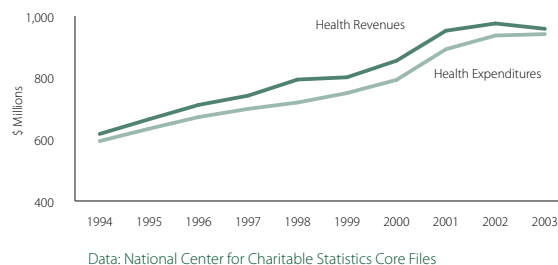
centers which resulted in a net loss over the life of the merger.<sup>3</sup> Nonprofit hospital revenues and expenditures decreased between 1998 and 2000 because the merged organization was located in San Francisco, though Stanford Medical Center continued to operate in Silicon Valley.

**Figure 3-3**  
Total Expenditures and Revenues in the Higher Education Field



Total revenue for universities and other institutions of higher education rose by \$600 million in constant dollars to \$2.8 billion dollars in 2003. The spike in revenues from 1998 to 2000 shows that these nonprofits benefited from the rise in the stock market – the revenue spike was largely a reflection of increased investment returns for Stanford University in particular.

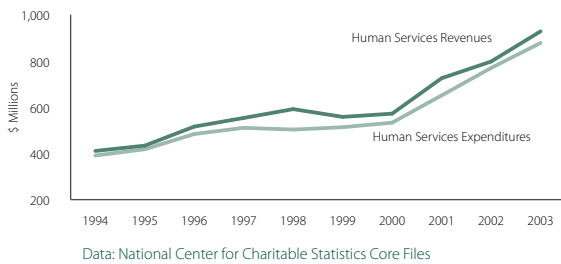
**Figure 3-4**  
Total Expenditures and Revenues in the Health Field



Finances in the health and human services fields show the most consistent growth of revenues and finances relative to other fields in the sector. Revenues in the health field grew from \$617.4 million to \$958.2 million in constant 2003 dollars.

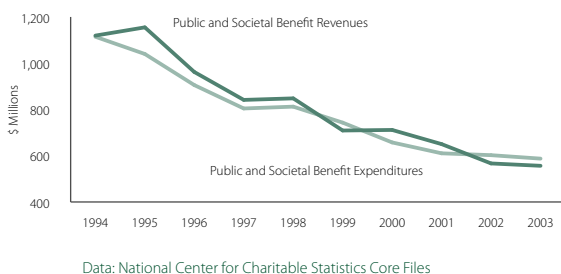
3. "Ill-Fated Merger Costs California Universities' Medical Centers \$176 Million." San Jose Mercury News, Dec. 14, 2000.

**Figure 3-5**  
Total Expenditures and Revenues in the Human Services Field



Total revenue for human service organizations rose at a faster rate, from \$410.5 million in 1994 to \$927.6 million in 2003. Nonprofits in the health and human services fields are local service providers responding to community needs. From our interviews with county agencies we also know that they are important partners assisting in the delivery of essential services. With 58 percent of their revenues based on fees and contracts, the consistent growth in these fields may result from multiyear contracts which are aligned with inflation and population growth. In addition to strong growth, this chart shows a consistent positive margin between overall revenues and expenditures for the field, which is a good sign.

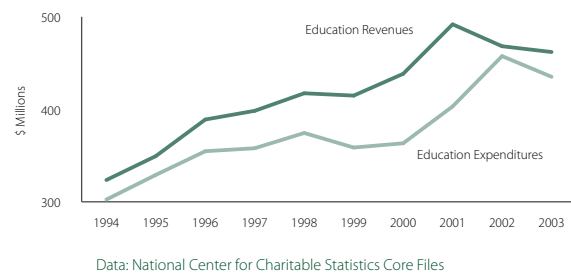
**Figure 3-6**  
Total Expenditures and Revenues in the Public and Societal Benefit Field



The public benefit field is the only part of the Silicon Valley nonprofit sector where organizations faced a loss of revenue, declining from \$1.1 billion in 1994 to \$556.4 million in 2003. The public and societal benefit field includes organizations working on social action,

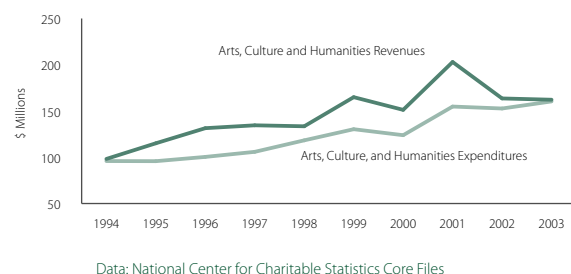
advocacy, and community building. However, the field's finances are dominated by scientific research and development organizations, which experienced significant declines in revenues over the past decade (figure 3-6). If not for those losses, the field would have shown a 43 percent increase in revenues.

**Figure 3-7**  
Total Expenditures and Revenues in the Education Field



Total revenues in the educational field (excluding colleges and universities) grew steadily from \$323.5 million to \$426 million in 2003. This reflects a growth of 43 percent in revenues, which was matched by a 44 percent increase in expenditures. Figure 3-7 shows that the overall operating margin for the field shrank after 2001 as revenue growth ceased to match expenditures.

**Figure 3-8**  
Total Expenditures and Revenues in the Arts, Culture, and Humanities Field

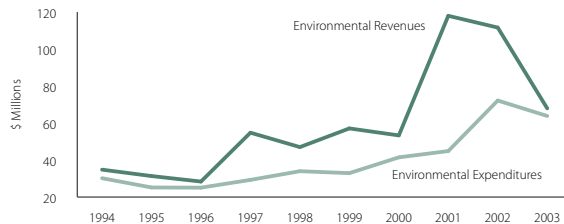


The revenue spikes in figure 3-8 illustrate how several Silicon Valley organizations were able to seize an opportunity and secure major contributions before the economic downturn. In arts and culture, the monies went towards

major institutions such as the Tech Museum of Innovation and the Computer History Museum. Overall, revenue in the field of arts, culture, and humanities increased from \$98.2 million to \$162.2 million during the decade.

**Figure 3-9**

Total Expenditures and Revenues in the Environmental Field

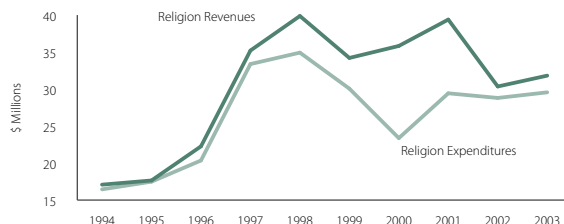


Data: National Center for Charitable Statistics Core Files

The environmental field experienced nearly 100 percent revenue growth, increasing from \$34.8 million in 1994 to \$67.9 in 2003. The Peninsula Open Space Trust was the major beneficiary of increased revenues in the environment field. In 2001, the Trust embarked on a major campaign to raise \$200 million for land conservation on the Peninsula.

**Figure 3-10**

Total Expenditures and Revenues in the Religion Field



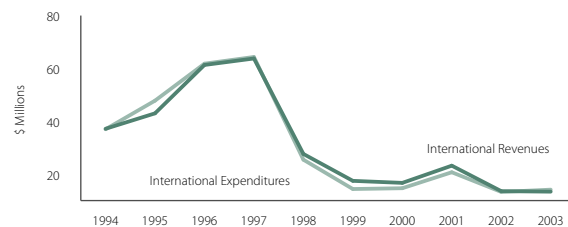
Data: National Center for Charitable Statistics Core Files

Churches are automatically granted tax-exemption by the IRS and are not required to file for 501(c)(3) status, so revenues and expenditures reported here represent a self-selected subset of Silicon Valley religious organizations. Nonetheless, the trends for religious organizations' finances shown in figure 3-10 reflect the individual, personal nature of giving to these groups. People

give more during good times, which ironically is often when need is lower overall. The religion field started with \$17.1 million total revenues in 1994, and grew to \$31.2 million in 2003.

**Figure 3-11**

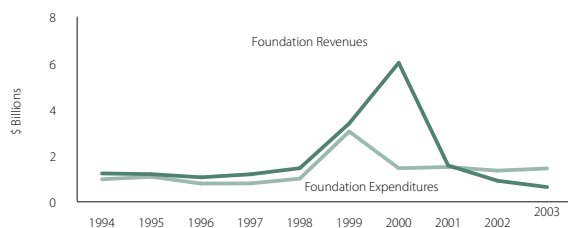
Total Expenditures and Revenues in the International Field



Data: National Center for Charitable Statistics Core Files

The financial trends for nonprofit organizations working on international and foreign affairs show two big drops in overall revenue. Organizations in this field typically work on humanitarian aid efforts, especially raising funds to address needs in foreign countries. The drops in revenues and expenditures shown in Figure 3-11 are largely due to several large international organizations that changed their filing address to a location outside the Valley.

**Figure 3-12**  
Total Expenditures and Revenues in the Foundation Field



Data: National Center for Charitable Statistics Core Files  
Note: Data for 1994 is estimated, based on an average of 1993 and 1995 figures.  
Includes supporting organizations and federated giving programs.

The phenomenal spikes in revenues for Silicon Valley foundations are symptomatic of the field nationwide, which rode a wave of investment returns in the late 1990s and was forced to cut giving programs when investments went south during the stock market decline. The Packard Foundation, which had nearly all of its stock investments in the technology company Hewlett-Packard, was the dominant example of these events.<sup>5</sup> While most programs directed by Silicon Valley foundations are national or global in scope, the withdrawal of these financial resources has been a big part of the stress reported by local nonprofit service providers in surveys.<sup>6</sup> Despite the sharp decline of their investment portfolios, private foundations as a group increased their charitable giving expenditures from \$972 million in 1994 to \$1.48 billion in 2003. Those expenditures equal 18 percent of the total revenues for Silicon Valley's operating nonprofit organizations. They are greater than the total revenue of all of Silicon Valley's educational and human service organizations combined.

## Revenue Sources

Revenue sources for nonprofit organizations can be grouped into three categories; earned income, donations, and investments.<sup>7</sup> Fees for services, program grants (from foundations or government), contracts, dues, and sales are all considered earned income, which accounts for 63 percent of the total revenue in the sector. Donations generated from charitable events and fundraising activities are the next largest group, comprising 31 percent of the total nonprofit revenue in Silicon Valley. Investment income can come from securities, property, and rental income. This last category is the smallest, adding up to 6 percent of the total revenues.

**Table 3-4**  
Large Nonprofits Rely Heavily on Earned Income  
Average Proportion of Revenue by Source, Operating Public Charities, Silicon Valley, 2003

	Earned Income	Donations	Investment Income
Arts, Culture, and Humanities	42.2%	53.7%	4.1%
Education	40.1%	58.0%	1.9%
Higher Education	66.4%	34.8%	-1.2%
Health	39.2%	57.2%	3.6%
Hospitals	42.2%	63.0%	-5.2%
Human Services	49.3%	47.8%	2.9%
Public and Societal Benefit	33.8%	61.3%	4.9%
Environment	29.7%	64.2%	6.1%
International	15.2%	81.0%	3.8%
Religion	15.9%	79.8%	4.3%
<b>TOTAL</b>	<b>56.3%</b>	<b>40.5%</b>	<b>3.1%</b>

Data: National Center for Charitable Statistics Core Files

Table 3-4 shows the *average* proportion of nonprofit organization revenues derived from each of the three sources of revenue in our analysis. Hospitals, health organizations, and public benefit organizations are more reliant on earned income because they are more likely to charge fees for their services, whether directly to clients or indirectly through government

5. "Cutting its Losses – Plunge in assets forces Packard to slash programs." Nov. 7, 2001, The Chronicle of Philanthropy.

6. LaFrance Associates, LLC, The 2005 Santa Clara County Nonprofit Benchmark Study (Santa Clara, CA: Community Foundation Silicon Valley, 2005).

7. Based on work in Elizabeth K. Keating, Mary Fischer, Teresa P. Gordon, and Janet Greenlee, Assessing Financial Vulnerability in the Nonprofit Sector (Cambridge, MA: Kennedy School of Government Faculty Research Working Paper Series, Harvard University, 2005).



**Table 3-5**

Donations Accounting for Greater Proportion of Total Revenues in the Sector  
Proportion of Total Revenue by Source and Field, Operating Public Charities, Silicon Valley

	1994			2003		
	Earned Income	Donations	Investments	Earned Income	Donations	Investments
Arts, Culture, and Humanities	53.4	44.5	2.1	45.4	53.1	1.5
Education	83.8	13.8	2.3	63.2	34.8	1.9
Higher Education	39.6	44.6	15.8	41.9	43.9	14.3
Health	73.0	24.1	2.9	77.8	21.1	1.1
Hospitals	96.0	1.4	2.6	93.6	5.7	0.7
Human Services	42.9	55.7	1.4	38.7	59.0	2.3
Public and Societal Benefit	94.2	5.0	0.8	84.4	12.4	3.2
Environment	19.4	77.4	3.1	36.2	61.4	2.4
International	6.7	91.3	1.9	12.0	84.7	3.3
Religion	18.8	80.3	0.8	15.0	83.9	1.1
<b>TOTAL - Operating Nonprofits</b>	<b>65.6</b>	<b>27.5</b>	<b>7.0</b>	<b>63.4</b>	<b>30.7</b>	<b>5.9</b>

Data: National Center for Charitable Statistics Core Files

subsidies. This is particularly true for larger organizations in these fields. It is not surprising to see that the international, religious, and environmental fields depend on donations for a greater proportion of their revenues.

Comparing total figures for 1994 and 2003 shows that donations made up an increasing proportion of total revenues for the entire Silicon Valley nonprofit sector. By field, the biggest increase was in education (21 percent), followed by arts

(8.6 percent) and public benefit (7.4 percent). These increases likely offset a decline in grant funding from foundations to organizations in these fields. It also reflects a maturation of the fundraising field, which has developed into a multimillion dollar industry since 1994, with professional associations, accreditation, and a multitude of software packages to help nonprofits reach potential donors via the web, email, and traditional postal service mail.

The comparison in table 3-6 shows that earned income makes up less of the total revenue for the Silicon Valley nonprofit sector relative to the Bay Area and California. This is true for the health and human services fields in particular. The public benefit field actually earns more in grants and contracts, probably due to the concentration of finances in large research organizations. The significant difference in Silicon Valley arts finances may reflect a younger arts community that has not yet diversified its revenue sources compared to more established arts organizations in other regions.

**Table 3-6**

Silicon Valley Sector Derives Less Revenue from Grants, Contracts, and Fees  
Proportion of Total Revenue from Earned Income by Field, Operating Public Charities, 2003

	Silicon Valley	Bay Area	California
Arts, Culture, and Humanities	45.4	33.1	34.5
Education	63.2	58.4	60.7
Higher Education	41.9	51.4	65.5
Health	77.8	95.9	74.4
Hospitals	93.6	97.6	96.8
Human Services	38.7	50.2	46.9
Public and Societal Benefit	84.4	66.7	62.9
Environment	36.2	22.9	33.4
International	12.0	15.2	4.7
Religion	15.0	22.9	50.5
<b>TOTAL - Operating Nonprofits</b>	<b>63.4</b>	<b>83.0</b>	<b>73.4</b>

Data: National Center for Charitable Statistics Core Files

### Government Subcontracting to Nonprofits

While public dollars account for a minority of income received by the sector, they are of crucial importance for certain types of organizations. For example, nonprofits are often providers of county and federally funded job placement services. Others provide mental health and health services, either out of direct grants or fee-for-service contracts.

Nonprofits also serve a crucial function for city and county governments by enabling them to stretch service dollars farther and target specific needs as they arise. Furthermore, they permit governments to more easily respond to the diverse needs of the multicultural communities they serve. Since nonprofits do not have to conform to the hiring requirements of county government, they can more easily represent the communities to be served or at least hire staff and enlist volunteers that meet community needs. Indeed, several of the county administrators we interviewed said that they value the culturally competent service delivery that community-based nonprofits can provide.

Most government spending on supportive social services is administered by county agencies. We have collected available data from both San Mateo and Santa Clara counties, which both contract a considerable amount of money to nonprofits. Our data are not totally comparable between the two counties. In San Mateo County, funds from the cities are pooled and administered through the county. In the case of Santa Clara County, San Jose does direct subcontracting on its own, which we were unable to track. Moreover, the counties differ in their accounting practices. For San Mateo we have accurate information dating back ten years for health and human services contracting. For Santa Clara, which maintains its records differently, fully reliable information for all nonprofit subcontracting is available only for the past two years.

Santa Clara County, as with counties throughout the United States, has seen a considerable decline in the dollars that it gets from the federal and state government for services. The budget director for the county estimates that currently 50 percent of the dollars they have available for subcontracting come from the state and federal government. These dollars have declined by about 10 percent over the past decade, but the board of supervisors has used local property tax revenues to make up the difference.

Santa Clara County focuses on preventative services. As shown in the following table, almost half of subcontracted dollars go to community mental health. This is a priority for the county, and one they spend locally generated dollars to support. Other priority areas include alcohol and drug treatment, senior nutrition, juvenile justice, and both emergency and affordable housing. Santa Clara County operates a closed system in which contracts are automatically renewed if funding is available.

**Table 3-7**  
Mental Health Dominates Nonprofit Subcontracting in Santa Clara County  
Total Contract Amounts, 2005 Fiscal Year, by Department

Department	Total	%
Mental Health	\$57,324,026	47.7%
Alcohol/Drug	\$20,046,689	16.7%
Social Services Agency	\$15,468,446	12.9%
Assisted Housing	\$13,950,120	11.6%
Public Health	\$7,024,456	5.8%
Probation	\$3,868,440	3.2%
Criminal Justice	\$618,800	0.5%
All others	\$1,854,085	1.5%
<b>TOTAL</b>	<b>\$120,155,061</b>	<b>100.0%</b>

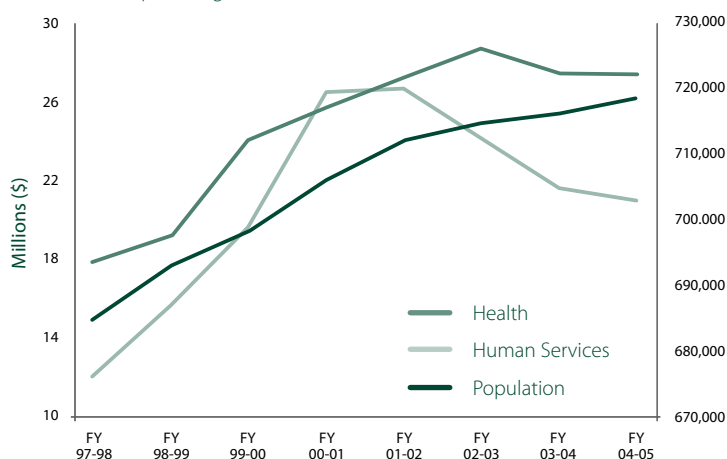
Data: Santa Clara County Executive, Office of Budget and Analysis

San Mateo County issues requests for proposals at least every three years, so that new agencies have the opportunity to compete for funds. There is a continuing tension between maintaining some

capacity to deliver services within county government and working with the nonprofit sector that is perceived to deliver cost effective services. In addition to desires to be cost effective and provide culturally relevant expertise, nonprofit contracting is driven by legislative mandates and a drive for more integrated services that are a step removed from direct government assistance. For all these reasons, there has been an effort since 1997 to work more with community based organizations (CBOs) in San Mateo County. As a result, services such as alcohol and drug treatment are delivered entirely by CBOs.

Figure 3-13 shows the changes over time in the amount of monies subcontracted by the county for human services and for health services. These two areas account for the vast majority of subcontracted dollars. (There is a relatively small amount of subcontracts in the criminal justice division, but the county does not track it separately for nonprofits.) It also includes information on the growth of the population.

**Figure 3-13**  
Government Contracting Rises With Overall Economy  
San Mateo County Health and Human Service Contracting with Nonprofit Organizations



Data: San Mateo County Health Department  
San Mateo County Human Services Agency  
California Department of Finance E-4 Population Estimate

The lines are partially driven by changes in federal and state policy and accompanying funding. Thus, for example, more monies were available for services because of welfare reform (Temporary Aid to Needy Families - TANF), which authorized money for childcare, employment readiness and similar services. Money from Proposition 36 has temporarily increased the amount of funding to drug and alcohol programs serving people diverted from the criminal justice system. First 5 commissions have increased funding for programs serving very young children.

What is most apparent from the graph is the strong importance of the economy and accompanying dollars available to county governments to deliver social services. There is a sharp increase in human service contracting until 2000. With economic decline, we see a similar decline in the amount of money available. This continues despite the growth in population in the county, which continues upward during this period.

Health subcontracting, in contrast, more closely follows population growth for two reasons. Counties have a state mandate to provide public health services and services for indigent adults, which they fulfill directly or through subcontracting. Additionally, health funding has dedicated revenue sources including portions of sales taxes, vehicle registration fees, and tobacco taxes.

**Table 3-8**
**Silicon Valley Nonprofit Assets are Highly Concentrated**

Total Assets (\$ Millions) by Field

	Silicon Valley		Bay Area		California	
Arts, Culture, and Humanities	\$382.3	1.7%	\$2,689.2	4.2%	\$7,207.8	4.7%
Education	\$831.5	3.6%	\$3,932.5	6.2%	\$12,710.1	8.3%
Higher Education	\$15,570.0	67.6%	\$17,291.4	27.1%	\$31,751.7	20.8%
Health	\$1,334.3	5.8%	\$8,980.8	14.1%	\$22,493.1	14.8%
Hospitals	\$2,712.8	11.8%	\$16,410.3	25.8%	\$42,867.5	28.1%
Human Services	\$1,362.7	5.9%	\$7,877.3	12.4%	\$20,644.5	13.5%
Public and Societal Benefit	\$361.1	1.6%	\$4,097.3	6.4%	\$7,861.1	5.2%
Environment	\$375.5	1.6%	\$1,352.6	2.1%	\$2,776.1	1.8%
International	\$22.0	0.1%	\$259.1	0.4%	\$751.6	0.5%
Mutual Benefit	\$10.5	0.0%	\$509.0	0.8%	\$768.1	0.5%
Religion	\$58.1	0.3%	\$304.1	0.5%	\$2,611.3	1.7%
<b>Total</b>	<b>\$23,020.7</b>	<b>100.0%</b>	<b>\$63,703.6</b>	<b>100.0%</b>	<b>\$152,442.9</b>	<b>100.0%</b>
Foundations	\$17,993.5	--	\$36,755.2	--	\$70,098.4	--

Data: National Center for Charitable Statistics

## Assets

Silicon Valley nonprofit organizations control over \$23 billion in assets, 15 percent of the total assets of nonprofits in the entire state. Foundations based in the region reported nearly \$18 billion in assets in 2003, which is 25 percent of all foundation assets in the state (table 3-8). Not surprisingly due to their size, universities and hospitals account for 80 percent of the sector's assets.<sup>8</sup> Asset growth in the sector was led by foundations and universities, but several other fields were also able to improve their position over the past decade (table 3-9). Again, assets in the environmental field are dominated by the Peninsula Open Space Trust. Arts organizations increased their presence through the construction or acquisition of new facilities. Losses in the international field were largely the result of relocation, while public benefit organizations have had to dip into assets to make up for a loss of operating revenues.

**Table 3-9**
**Hospitals and Health Organizations Struggled to Grow Assets**

Total Assets (\$ Millions) by Field, Silicon Valley

	1994	2003	Growth
Arts, Culture, and Humanities	\$100.9	\$382.3	<b>370.3%</b>
Education	\$267.1	\$831.5	<b>244.5%</b>
Higher Education	\$5,844.9	\$15,570.0	<b>195.3%</b>
Health	\$824.4	\$1,334.3	<b>71.1%</b>
Hospitals	\$1,395.9	\$2,712.8	<b>93.3%</b>
Human Services	\$744.6	\$1,362.7	<b>100.4%</b>
Public and Societal Benefit	\$510.6	\$361.1	<b>-15.0%</b>
Environment	\$59.4	\$375.5	<b>572.0%</b>
International	\$24.0	\$22.0	<b>-17.2%</b>
Mutual Benefit	\$4.7	\$10.5	<b>142.0%</b>
Religion	\$16.7	\$58.1	<b>110.9%</b>
<b>TOTAL</b>	<b>\$14,843.4</b>	<b>\$41,014.2</b>	<b>176.3%</b>
Foundations	\$5,050.1	\$17,993.5	<b>256.3%</b>

Data: National Center for Charitable Statistics

8. Supporting organizations such as school foundations are grouped with their associated operating groups for analysis in our account of total assets.

## Fiscal Health

The nonprofit sector is distinctive because it places charitable goals before financial gain. Therefore, financial performance does not necessarily assess how well nonprofits are meeting these goals. This does not mean that finances are irrelevant however, since an organization must be able to pay the bills to stay in business. There are essential operating costs that enable a nonprofit to achieve its goals. This section focuses on providing measures of general financial health which are essential to maintaining operations but should not be considered judgments about overall performance.

**Table 3-10**

### Deficit Spending on the Rise

Proportion of Organizations with Deficit Spending and Positive Net Assets

	Percentage in Deficit		Percentage Positive Net Assets	
	1994	2003	1994	2003
Silicon Valley	38.1	43.5	91.0	93.1
Bay Area	38.1	43.5	89.8	91.5
Statewide	39.3	41.2	89.7	91.3

Data: National Center for Charitable Statistics  
Note: Excludes foundations and supporting organizations

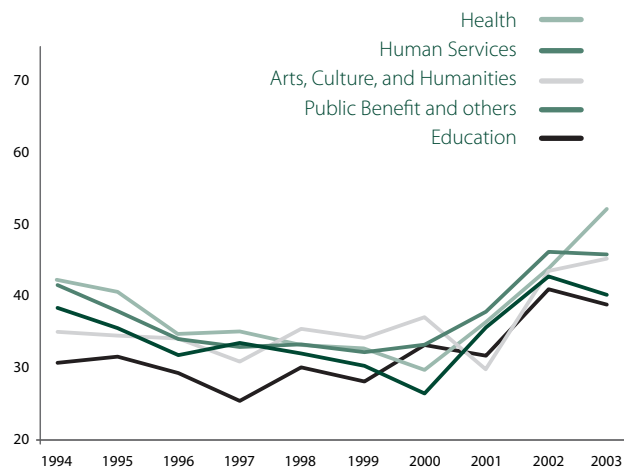
The operating margin is an indicator of an organization's ability to earn enough income to cover its annual expenses. If expenses exceed revenues in a given year, an organization is said to engage in deficit spending where it must utilize reserve funds or other assets to cover costs. Another measure of fiscal health is net assets, defined as total assets minus total liabilities. Together, these variables provide a measure of the financial standing of nonprofit organizations.

Overall, we found an increase in the proportion of nonprofit organizations reporting deficit spending over the past ten years (table 3-10). This is true throughout the state, but the trend is partially balanced by an increase in the number of organizations with positive net assets shown on

**Figure 3-14**

### Deficit Spending Increased Across All Fields

Proportion of Silicon Valley Organizations with Deficit Spending



Data: National Center for Charitable Statistics  
Note: Excludes foundations and supporting organizations

the right side of table 3-10. More than 80 percent of organizations with deficit spending have positive assets that they should be able to use to cover operating costs for at least a short time. Some portion of the increase in deficit spending may reflect changes in accounting practices which compel nonprofits to report multiyear grants and contracts in the award year. However, the pervasiveness of the trend over time and across fields illustrated in figure 3-14 suggests that the increase is more than just a modification of accounting practices. Rather, it further substantiates the tight position organizations find themselves in as they struggle to keep providing services with fewer resources. This increase in deficit spending for operating organizations occurred at the same time that foundation assets grew enormously. That juxtaposition supports the observation that foundation giving and corporate philanthropy has an international focus rather than supporting local community organizations.

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## Communities and Nonprofit Location

Silicon Valley shows disparities in income and need. There is more nonprofit activity in the northern portion of Silicon Valley, where an array of service providers are located close to high need communities. The southern portion of the region, centered around Gilroy, show low levels of nonprofit activity relative to the need there.

Mapping Silicon Valley's nonprofit sector provides an opportunity to examine disparities in access to nonprofit sector resources across the region. We do this by using maps to overlay nonprofit organization locations on community indicators drawn from the 2000 US Census. Many nonprofits provide relatively diffuse benefits to society as a whole, or make their services available to a national or international audience (i.e. universities). The maps presented in this section focus on operating nonprofits involved in local direct service delivery activities, for example, social services, education, arts, and housing assistance.

Nonprofit addresses are drawn from Internal Revenue Service tax forms. These addresses may vary from service locations for large organizations with multiple facilities or separate administrative offices. However, our survey research has shown that these addresses are a good indicator of at least one location where services are delivered for a majority of organizations.

Specialized services and amenities provided by locally focused nonprofit service organizations should be accessible to communities who need them. This analysis highlights several types of potential nonprofit/population overlap. One example is that areas with greater diversity and more immigrants should also have access to cultural organizations and nonprofits providing human services. Additionally, specialized services such as employment assistance and low cost counseling should be available to

communities with a preponderance of needs and where residents cannot afford to pay for services. Maps of education levels and neighborhood poverty highlight such communities.

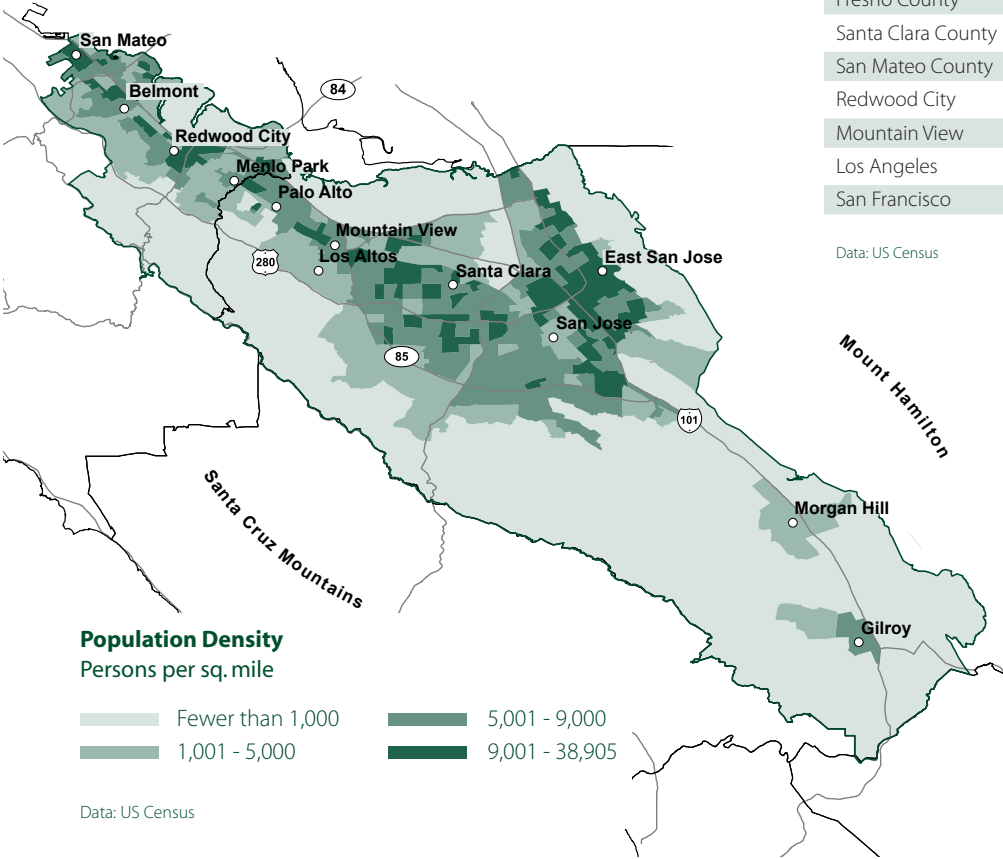
### Community Overviews

The map of population density in figure 4-1 provides a simple introduction to the demographic landscape of Silicon Valley. Most of the area is suburban and sprawling, with few areas matching the density of an urban environment like San Francisco (see table 4-1 for scale comparisons). Higher urban density occurs around freeways, particularly in Redwood City and Belmont in San Mateo County to the north, and Mountain View and San Jose in Santa Clara County to the south. These areas also have more commercial space suitable to office use. The city of San Jose sits at the geographic center of Silicon Valley as we have defined it.

Most of the lightly populated areas around the perimeter of the Valley are foothills which house more exclusive communities such as Woodside and Los Altos Hills. South of San Jose is sparsely populated unincorporated land except for the communities of Morgan Hill and Gilroy. These communities were once entirely devoted to farming but have grown in population because they have more affordable homes for Silicon Valley workers. The low density of these areas makes them less likely locations for nonprofit services, though some areas do show significant need.



**Figure 4-1**  
A Suburban Region With Greater Density in Older Cities



**Table 4-1**  
Comparison Population Densities  
People per Square Mile

Fresno County	134
Santa Clara County	1,304
San Mateo County	1,575
Redwood City	3,874
Mountain View	5,841
Los Angeles	7,877
San Francisco	16,625

Data: US Census

**Nonprofit Services in Communities**

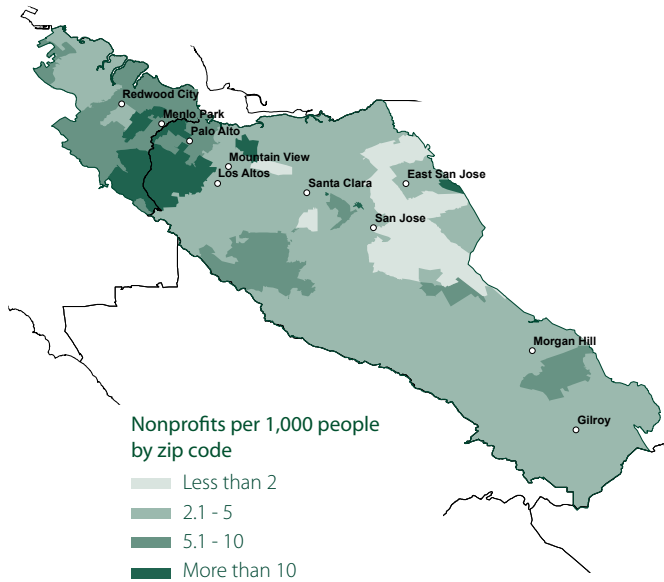
There are several factors that affect nonprofit locations. In general, we expect that nonprofits, like any other business, are more likely to find suitable office space in business districts, which are zoned for commercial activity. Some organizations also cluster in order to share resources and facilitate collaboration. One-stop social service locations where public and nonprofit service providers

share a physical building are one example of this. Not all organizations require traditional office space. The voluntary tradition in the nonprofit sector is a key aspect of civil society. Volunteer organizations tend to be small and located more broadly in any community where a founder is motivated to establish one.

**Figure 4-2**

**Nonprofit Activity Clusters in Downtown Areas**

Number of Nonprofit 501(c)(3) Operating Organizations per 1,000 residents



Data: Internal Revenue Services Exempt Organizations Master File  
US Census

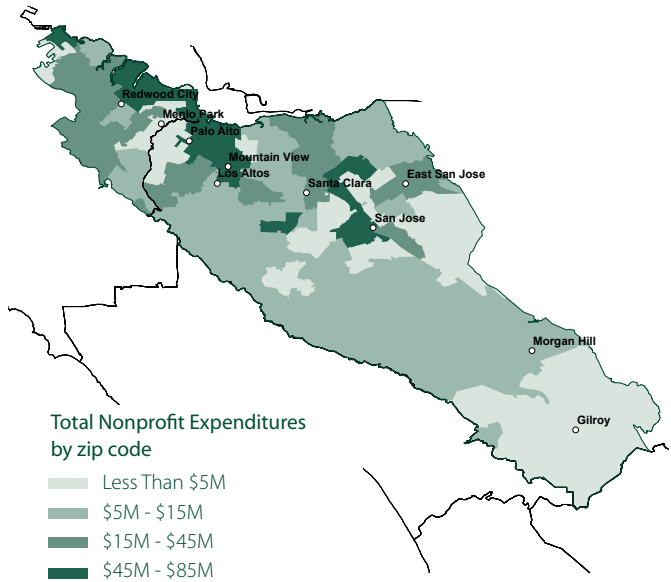
The map above of nonprofits per 1,000 residents shows that there is greater nonprofit activity in the north end of Silicon Valley. The relative density of nonprofit organizations around Stanford University to the west of Palo Alto reflects the multitude of social clubs and other charitable activities typically found in a university setting. This per capita map also shows more organizations in the business districts of Redwood City, Palo Alto, and San Jose. The east side of San Jose has relatively few nonprofits, given the population density shown in figure 4-1.

Figure 4-3 presents total expenditures of operating nonprofit organizations by zip code. Total expenditures provide the best estimation of aggregate nonprofit activity available in our data. Areas with smaller organizations should have little aggregate expenditure compared to the density of organizations. This map shows high levels of non-

**Figure 4-3**

**Gilroy Lacks Nonprofit Resources**

Total Expenditures for Nonprofit 501(c)(3) Operating Organizations per 1,000 residents

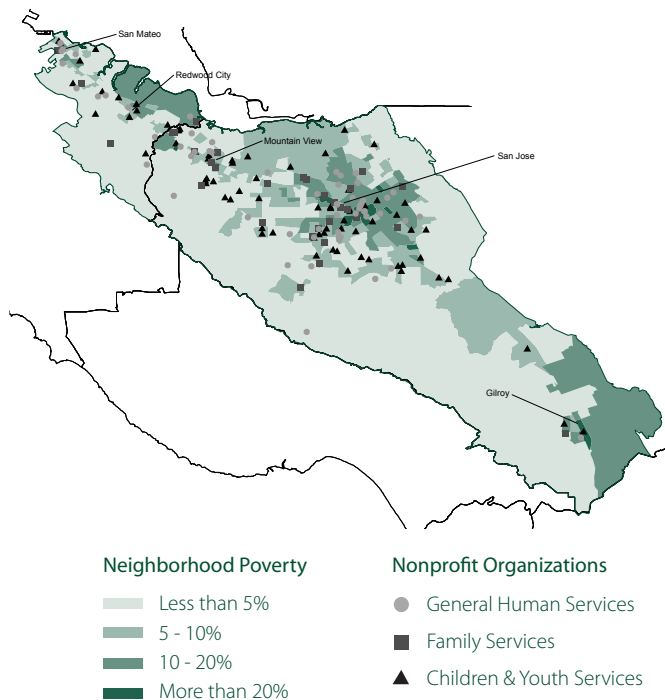


Data: National Center for Charitable Statistics Core Files

profit activity in several poor communities such as Fair Oaks, East Palo Alto, and Central San Jose. There are also concentrations in business districts, as expected.

The map raises concern about an absence of nonprofit activity to the south in Gilroy and the surrounding communities. A lack of significant expenditures suggests that organizations in the area are relatively small, yet there are significant needs in the area. According to the 2000 Census, the city of Gilroy had a 10 percent poverty rate based on the federal poverty standard (a low estimate of poverty given the high cost of living in Silicon Valley), and a 30 percent high school drop-out rate. There is also a concentration of immigrant farm workers in this part of Silicon Valley.

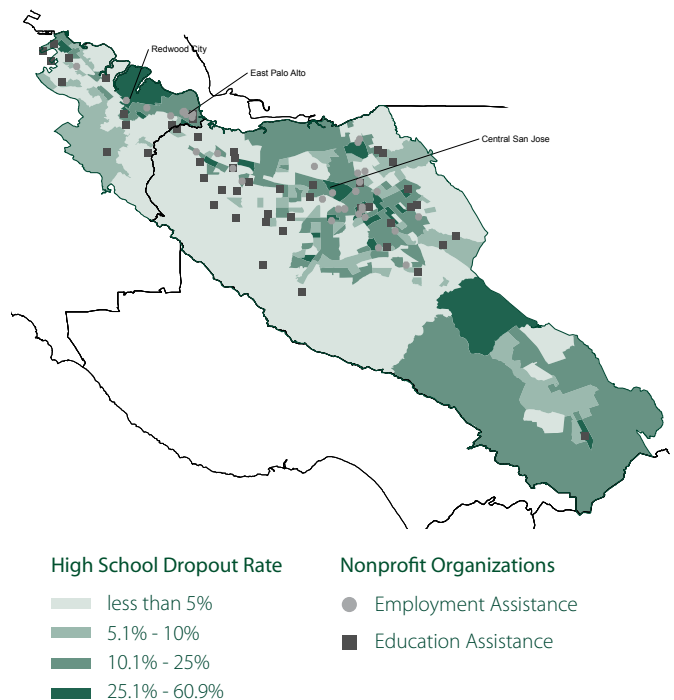
**Figure 4-4**  
Access to Social Services Lacking in Some Poor Communities



Data: National Center for Charitable Statistics Core Files  
US Census

Focusing on service providers who address these needs, the maps in figures 4-4 and 4-5 show that there are a number of nonprofit organizations throughout most of Silicon Valley providing human services such as counseling, low cost health care, and education assistance. However, Gilroy lacks low cost nonprofit services relative to parts of San Jose with comparable poverty levels. Poor residents in Gilroy are unlikely to travel to San Jose to access services given the considerable distance and low public transit service levels. Human service organizations tend to cluster in several business districts in San Mateo county, closer to high poverty areas but not directly overlapping.

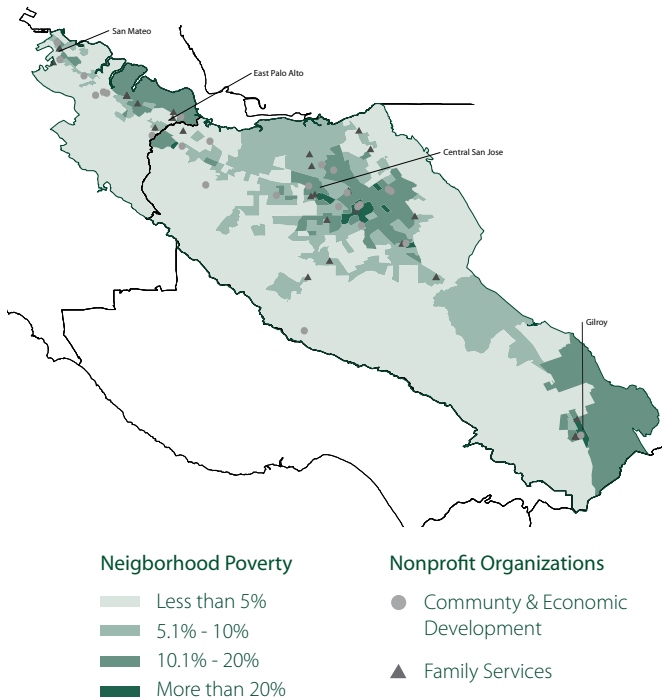
**Figure 4-5**  
East Palo Alto is Well Served in Education and Employment



Data: National Center for Charitable Statistics Core Files  
US Census

The map of organizations providing employment and education services in figure 4-5 shows that East Palo Alto, located just to the north of the Santa Clara county line near the bay, has a significant number of nonprofit services available. East Palo Alto has long been a focus of nonprofit endeavors and community philanthropy, and these investments have built significant local capacity in terms of the number of organizations. Redwood City and Central San Jose also stand out as places where nonprofits are well located relative to communities that could use their services. Education services are more dispersed than employment assistance organizations, which are expected to be proximate to jobs and clients.

**Figure 4-6**  
Community and Economic Development Organizations Focus on Central San Jose

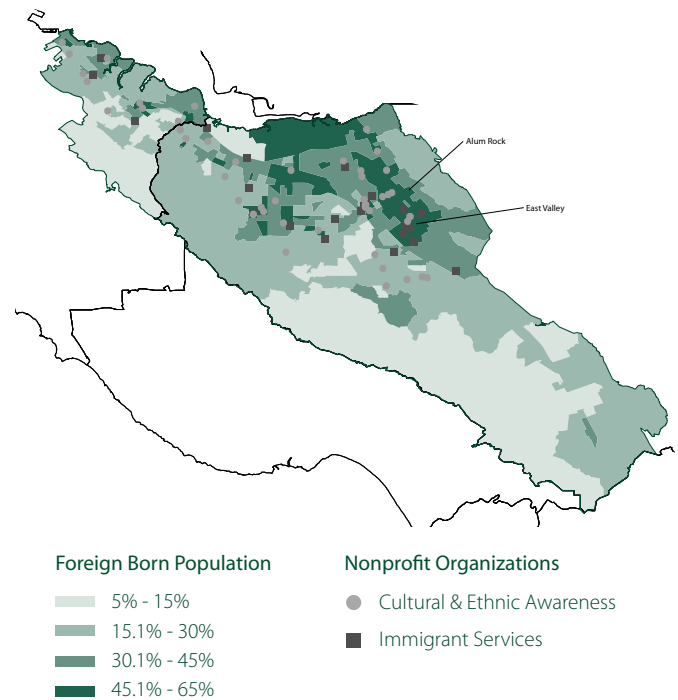


Data: National Center for Charitable Statistics Core Files  
US Census

Community development organizations focus on community renewal and are often low income housing developers in Silicon Valley. The relative dispersion of these groups displayed in figure 4-6 is understandable given the place-based focus of their work. These nonprofits are clustered in several communities: San Mateo, Menlo Park, Central San Jose, and Gilroy.

A study about nonprofits in Santa Clara published last year raised concerns about how well nonprofit organizations are responding to the increasing diversity of Silicon Valley.<sup>1</sup> The map of nonprofit organizations in figure 4-7 focuses on services to immigrants and ethnic cultural organizations and shows that access is uneven. There is a large cluster of immigrant

**Figure 4-7**  
Uneven Coverage by Immigrant Services and Ethnic Cultural Organizations



Data: National Center for Charitable Statistics Core Files  
US Census

services in San Jose's East Valley community, responding to the Asian immigrant population in that area. Immigrants in Alum Rock to the north lack a comparable array of nonprofit organizations, though there is a cluster of cultural arts organizations in the community. There are also relatively fewer organizations around the immigrant populations in central Silicon Valley, in communities such as Sunnyvale and Santa Clara. Given the higher income of these areas, there may be less need for low cost nonprofit services, or people may be more willing to travel to other places to get the assistance they need.

1. LaFrance Associates, LLC, The 2005 Santa Clara County Nonprofit Benchmark Study (Santa Clara, CA: Community Foundation Silicon Valley, 2005) 34.

**Nonprofit Sector Response to New Immigrant Populations**

New immigrants have played an important role in Silicon Valley’s growth over the past ten years. The table on page 9 shows that the immigrant population has grown by 61 percent while overall population growth was just 11 percent. More than 50 percent of the foreign born population in Silicon Valley is from Asia, primarily from China, the Philippines, and Vietnam (the San Jose Vietnamese American Council claims that San Jose has the largest Vietnamese population in the United States). The next largest immigrant group is from Mexico, and there is a significant proportion of immigrants from India, Taiwan, and Eastern Europe.

The recent survey of nonprofit leaders conducted by Community Foundation Silicon Valley and CompassPoint highlighted how older nonprofit organizations are slowly reacting to this demographic change. Meanwhile, our data on nonprofit incorporations shows that many communities are forming their own organizations to support other new immigrants and promote their cultural heritage.

Organizations providing services specifically aimed at new immigrants are classified as ethnic and immigrant centers within the human services field. These groups help people acclimate culturally, navigate the legal system, find employment, and provide many other services. Table 4-2 shows that Silicon Valley has three times as many immigrant services organizations now as it did in 1995. This growth far exceeds growth in other California regions with significant immigrant populations.

In addition to aid and assistance, many nonprofits are formed to promote the arts and culture of different cultures including language, visual and performing arts, and traditional customs and celebrations. Nonprofit organizations formed for this type of purpose are classified in the arts,

**Table 4-2**  
Growth of Immigrant Nonprofits Exceeds California’s Other Melting Pot Communities  
Change in Number of Organizations and Revenues

**Ethnic and Immigrant Centers**

	Organizations			Revenues (\$M)		
	1995	2003	Growth	1995	2003	Growth
Silicon Valley	8	27	237.5%	\$5.5	\$9.2	66.7%
Los Angeles County	48	85	77.1%	\$42.8	\$77.8	81.5%
Alameda County	19	24	26.3%	\$5.3	\$8.8	65.5%
San Francisco	19	29	52.6%	\$10.5	\$11.6	10.2%
Orange County	14	24	71.4%	\$5.7	\$11.6	104.3%

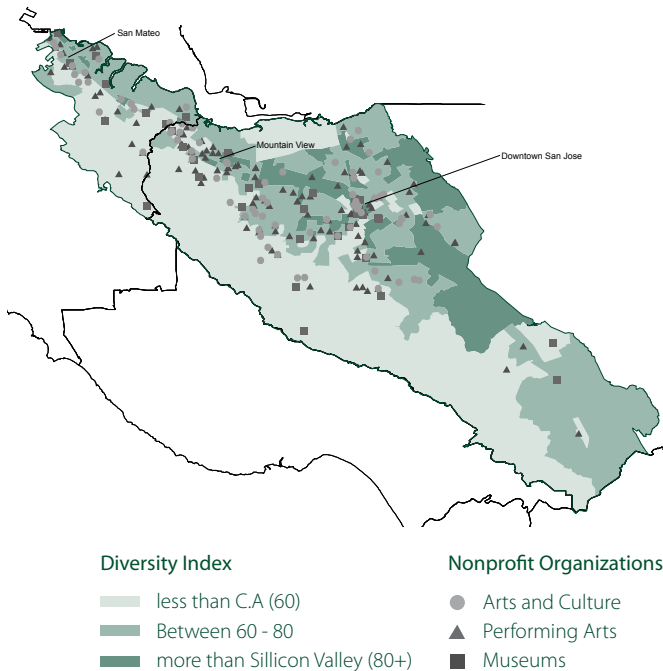
**Cultural and Ethnic Awareness Organizations**

	Organizations			Revenues (\$M)		
	1995	2003	Growth	1995	2003	Growth
Silicon Valley	36	84	133.3%	\$1.8	\$12.2	579.5%
Los Angeles County	118	228	93.2%	\$26.9	\$153.4	469.6%
Alameda County	39	73	87.2%	\$9.9	\$22.3	125.4%
San Francisco	49	68	38.8%	\$12.8	\$13.7	6.7%
Orange County	15	53	253.3%	\$1.7	\$7.1	307.8%

Data: Internal Revenue Service Exempt Organizations Master Files  
National Center for Charitable Statistics Business Master Files  
Note: 1995 revenues are adjusted to current 2003 dollars using the Consumer Price Index.

culture and humanities field. Silicon Valley supported more than twice as many of these organizations in 2003, and placed significantly more financial resources at their disposal. Older arts and culture organizations in Silicon Valley will be competing with these new groups for audiences and donors in the coming years.

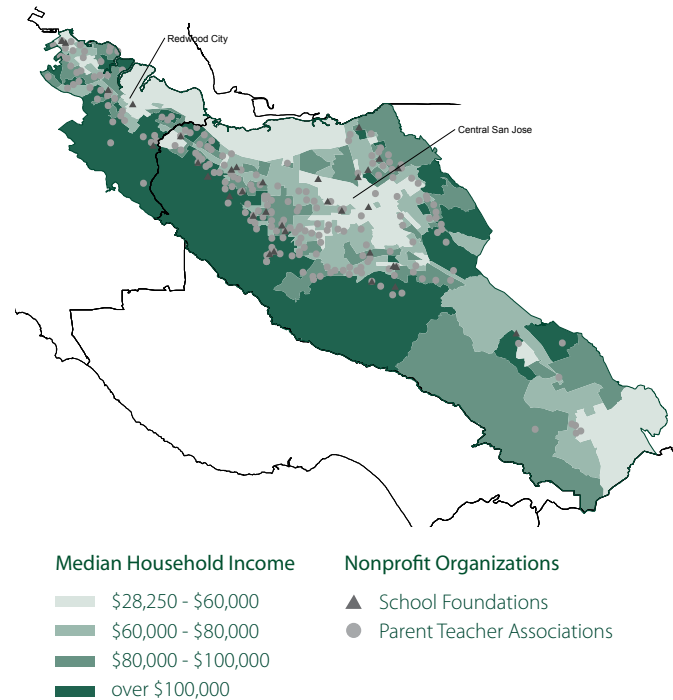
**Figure 4-8**  
Arts and Cultural Nonprofits Tend to be Centrally Located



Data: National Center for Charitable Statistics Core Files  
US Census

Arts organizations are familiar to many of us and play an important role in providing cultural enrichment to the community. Cultural Initiatives Silicon Valley argues in their Creative Community Index report that regional economies benefit from creative workers who are attracted to clusters of creative people and cultural institutions.<sup>2</sup> Our map of arts organizations in figure 4-8 shows that Silicon Valley has several cultural clusters, but they don't always overlap with the places of greatest diversity. In some ways this is not a concern because people are often willing to travel for artistic and cultural experience. Yet to the extent that people want to see the museums and performing arts encompass new traditions from the community, as local

**Figure 4-9**  
Wealthy Communities Provide More to Their Local Schools



Data: National Center for Charitable Statistics Core Files  
US Census

newspaper coverage suggests, the proximity to diversity is more important.

One of the distinctive differences in Silicon Valley's nonprofit sector is the number of educational organizations in general, and parent teacher associations in particular. The map in figure 4-9 shows that wealthy communities have done a better job of building these kinds of supporting organizations.<sup>4</sup> These are the types of organizations that provide impetus and resources for improving public schools in light of state education cuts. Redwood City and Central San Jose are particularly bereft of these supports.

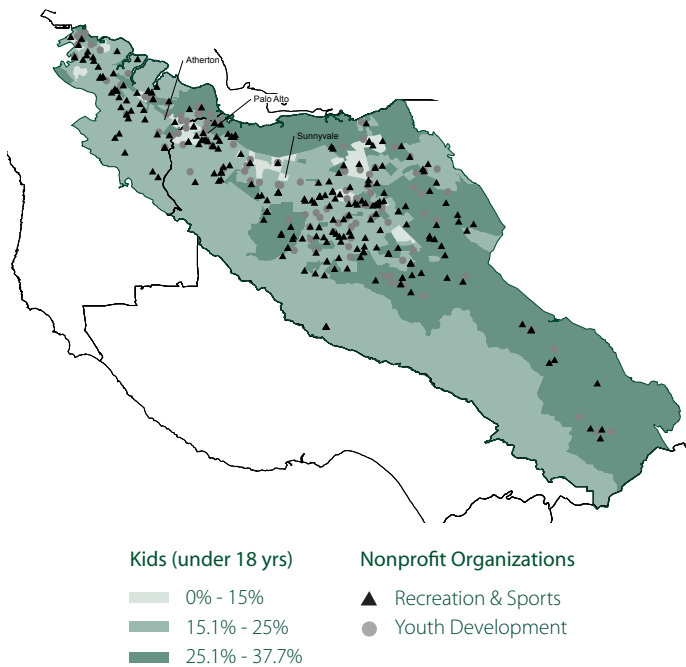
2. John Kreider, Creative Community Index 2005: Measuring Progress Towards a Vibrant Silicon Valley, (San Jose, CA: Cultural Initiatives Silicon Valley, 2005) 5.

3. Steen, Margaret. "Community of Colors," San Jose Mercury News 7 July 2005: A1.

4. Each school's PTA incorporates separately and they generally use the schools' address in their tax filings.



**Figure 4-10**  
Youth and Recreation Organizations Span Silicon Valley



Data: National Center for Charitable Statistics Core Files  
US Census

Some of the oldest nonprofit organizations focus on providing recreation programs and youth development. Youth sports leagues, Boys & Girls Clubs, and the Boy and Girl Scouts are familiar to many of us. Figure 4-10 shows where these organizations are clustered in Silicon Valley relative to large populations of kids under 18 years old. There are few communities without one or both of these types of organization, and they tend to have larger service areas. They also tend to cluster in central business districts, suggesting they are administrative offices rather than service locations.

Maps of demographics and socioeconomic status highlight communities of need within the general prosperity of Silicon Valley. Overlays of aggregate nonprofit activity and specific organizations show that these same needy communities sometimes lack access to nonprofit organizations that provide relevant supportive services at little or no cost. In contrast, arts, immigrant services, and ethnic cultural organizations are spread more broadly throughout the region, as are groups focusing on youth and supporting schools. Aggregate nonprofit expenditures are particularly low to the south around Gilroy, suggesting that the nonprofits in the area lack capacity.

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## Conclusion

We applaud the work of the nonprofit sector in Silicon Valley. Life there would be very different if it were not for the efforts of the tens of thousands of people employed by the sector, and the large number of people who donate their time, money and goods and services. But, the sector faces challenges: it is located in one of the most diverse regions in California; the technology sector never fully recovered from its decline in the beginning of this decade; the region remains one of the most expensive places to live in the country. This report is intended as a data-driven overview of the nonprofit sector to help civic, nonprofit, and philanthropic leaders strategize for current and future challenges and maximize their investments in the sector. Here, rather than summarize this statistical profile, we return to our initial discussion of the two Silicon Valleys.

One Silicon Valley is defined by great wealth. Wealth from the technology boom drove a remarkable growth in the number of foundations and in foundation assets. But Silicon Valley also relies on a low wage labor force that helps support the technology industry and what remains of agricultural production. Given this economic mix of demands and resources, we would expect a robust nonprofit economy that supports cultural diversity, and provides the supportive services needed by a low wage labor force in an extremely high cost area.

Instead, what is remarkable about the nonprofit sector in Silicon Valley is how similar in most ways it is to the rest of the state. There are only very slightly more public charities per capita than is found in the rest of the state. Based on median nonprofit revenues, the typical Silicon Valley nonprofit is only slightly larger than organizations statewide.

We have found, counter to what some would expect, that there has been a relatively steady revenue growth in most of the sector despite the economic challenges of the past few years. At the same time we also see an increase in the proportion of organizations showing deficit spending, which may foreshadow revenue problems in the years following our period of study.

Finally, and Silicon Valley is far from unique in this regard, we find that services are not always located in areas where the need is greatest. Communities in the northern part of Silicon Valley have an array of service providers close to high need communities. However, the southern part of Santa Clara County appears to be underserved relative to need. Low levels of nonprofit capacity in Gilroy are a concern given the increasing population, poverty, and low education in that part of Silicon Valley.

We have a lot of faith in the nonprofit sector in Silicon Valley, but we expect even greater things of it. There are numerous individuals, knowledgeable about the sector and working towards its improvement. There are two county governments who are supportive of the sector and recognize its importance as a part of their service delivery system. There is great wealth to support the sector, found in foundations, corporate donation programs, and in the pockets of individual donors. We hope this report shows ways that the sector could expand and even better meet the needs of the residents of Silicon Valley.

### About NTEE codes

In order to provide a concise summary of the diverse array of organizations belonging to the nonprofit sector, we have relied upon a classification system called the National Taxonomy of Exempt Entities Core Codes (NTEE-CC), created by the National Center for Charitable Statistics at the Urban Institute. The system is used by the Internal Revenue Service (IRS), Independent Sector, the Foundation Center, and many foundations, researchers, analysts and others. The NTEE classification system has a hierarchical logic that is analogous to the North American Industrial Classification System (NAICS), which is commonly used to classify all businesses, including some nonprofits.

Every nonprofit organization granted 501(c) tax exemption by the IRS is assigned a 3-digit NTEE core code based on its primary program activity. The first NTEE digit is a letter which signifies one of the 26 fields such as Education (B), Health (E), or Recreation. The second and third positions of the NTEE code are a two digit number which specify a function within each field. For example, within the Health field the code E20 designates Hospitals and E32 is for Community Clinics. In Education, B70 is assigned to Libraries, and Parent Teacher Associations are assigned B94.

The advantage of using NTEE classifications is that they can be aggregated up into broad groups, which are what we rely on to provide concise summary tables in this report. The display to the right shows how we grouped the NTEE fields to make our 13 categories.

### NTEE Major Groups and Fields

#### Arts, Culture, and Humanities

Arts, culture, and humanities

#### Education

Education (excluding universities or colleges)

#### Higher Education

Higher Education

#### Health

Health (excluding hospitals)  
Mental health and crisis intervention  
Diseases, disorders, and medical disciplines  
Medical research

#### Hospitals

Hospitals

#### Human Services

Crime and legal related  
Employment  
Food, agriculture, and nutrition  
Housing and shelter  
Public safety, disaster preparedness and relief  
Recreation and sports  
Youth development  
Human services

#### Environment and Animals

Environment  
Animal-related

#### International, Foreign Affairs

International, foreign affairs, and national security

#### Philanthropy and Grantmaking

Philanthropy, grantmaking, and supporting organizations

#### Public, Societal Benefit

Civil rights, social action, and advocacy  
Community improvement  
Voluntarism  
Science and technology  
Social science  
Public and societal benefit

#### Mutual Benefit

Mutual and membership benefit

#### Religion Related

Religion-related

#### Unknown, Unclassified

Unknown

**Appendix Table 1**

Top 25 Silicon Valley Operating Public Charities (501(c)(3)) , Total by Revenue, 2003

Employer Identification Number	Organization Name	NTEE-CC	Total Revenue	Total Expenses
941156365	STANFORD UNIVERSITY BOARD OF TRUSTEES	B43	\$2,506,694,254	\$2,419,490,048
946174066	STANFORD HEALTH SERVICES	E22	\$1,197,037,777	\$1,122,804,985
941156581	PALO ALTO MEDICAL FOUNDATION	H90	\$521,948,580	\$487,825,110
770003859	LUCILE SALTER PACKARD CHILDRENS HOSPITAL AT STANFORD	E24	\$439,251,121	\$325,643,012
237175375	ELECTRIC POWER RESEARCH INSTITUTE INC	W05	\$235,476,172	\$267,547,542
941156617	PRESIDENT-BOARD OF TRUSTEES SANTA CLARA COLLEGE	B43	\$225,690,665	\$211,651,082
941160950	SRI INTERNATIONAL	U20	\$203,691,496	\$203,116,336
912154436	OCONNOR HOSPITAL	E22	\$163,913,762	\$151,914,904
943246947	SEQUOIA HEALTH SERVICES	E22	\$160,551,975	\$149,414,615
942591195	SAN ANDREAS REGIONAL CENTER	P82	\$132,227,238	\$132,247,612
941156295	SAINT FRANCIS MEMORIAL HOSPITAL	E22	\$130,568,092	\$124,300,947
237290564	SATELLITE HEALTHCARE INC	E30	\$67,404,855	\$62,129,208
941583439	PLANNED PARENTHOOD MAR MONTE INC	E42	\$52,440,566	\$48,681,253
912154437	SAINT LOUISE REGIONAL HOSPITAL	E22	\$49,362,318	\$46,798,940
941254641	EASTFIELD MING QUONG INC	F30	\$48,076,802	\$46,322,401
942614101	SECOND HARVEST FOOD BANK OF SANTA CLARA AND SAN MATEO COUNTIES	K31	\$38,484,599	\$37,799,264
942376637	CONTINUING DEVELOPMENT INCORPORATED	B21	\$38,277,596	\$35,209,535
941613808	HARKER SCHOOL FOUNDATION	B20	\$35,812,896	\$34,681,869
941156318	YOUNG MENS CHRISTIAN ASSOCIATION SANTA CLARA VALLEY	P27	\$30,007,488	\$30,588,816
942598855	OUTREACH & ESCORT INC	P52	\$29,826,186	\$29,918,844
912145484	DAUGHTERS OF CHARITY HEALTH SYSTEMS	E21	\$28,918,171	\$13,025,678
941658311	CENTER FOR EMPLOYMENT TRAINING	J20	\$27,802,490	\$26,758,088
941156646	NOTRE DAME DE NAMUR UNIVERSITY	B43	\$27,148,454	\$27,701,557
943204137	MENLO SCHOOL	B25	\$25,797,122	\$20,115,057
942180243	COMMUNITY CHILD CARE COUNCIL OF SANTA CLARA COUNTY INC	P30	\$25,159,677	\$24,893,046

**Appendix Table 2**

Number of 501(c)(3) Organizations in Silicon Valley, Detailed NTEE Headings

NTEE Field	1995			2003		
	TOTAL	Filers	Total Revenue	TOTAL	Filers	Total Revenue
Arts, Culture, and Humanities	395	178	\$117,902,308	637	262	\$165,626,735
Education	798	371	\$2,997,892,046	1,213	581	\$3,336,754,887
Environmental Quality, Protection, and Beautification	40	22	\$15,176,792	69	43	\$45,098,606
Animal-Related	30	15	\$17,203,791	65	31	\$23,849,576
Health	113	85	\$2,115,868,069	145	72	\$2,440,537,710
Mental Health, Crisis Intervention	60	53	\$72,365,578	93	62	\$148,908,493
Diseases, Disorders, Medical Disciplines	30	23	\$22,553,957	50	29	\$25,894,299
Medical Research	31	33	\$206,542,145	48	33	\$554,991,518
Crime, Legal Related	39	33	\$28,613,888	66	33	\$23,690,079
Employment, Job Related	35	24	\$97,891,141	41	22	\$93,531,154
Food, Agriculture, and Nutrition	11	5	\$7,886,437	20	10	\$42,849,277
Housing, Shelter	112	84	\$80,731,771	174	115	\$140,632,566
Public Safety	11	3	\$1,694,911	23	8	\$2,901,306
Recreation, Sports, Leisure, Athletics	230	134	\$29,024,518	343	188	\$45,938,687
Youth Development	145	53	\$31,397,359	172	69	\$39,313,296
Human Services - Multipurpose and Other	261	194	\$402,538,397	454	231	\$579,555,223
International, Foreign Affairs, and National Security	53	29	\$44,247,428	114	50	\$14,555,602
Civil Rights, Social Action, Advocacy	22	5	\$1,164,056	26	10	\$2,858,996
Community Improvement, Capacity Building	121	57	\$28,526,536	173	101	\$35,509,922
Philanthropy, Voluntarism, and Grantmaking Foundations	286	52	\$658,013,663	873	96	\$460,212,354
Science and Technology Research Institutes, Services	58	34	\$338,403,927	74	31	\$264,896,751
Social Science Research Institutes, Services	8	2	\$6,098,801	14	12	\$16,141,037
Public, Society Benefit - Multipurpose and Other	129	7	\$804,250,058	140	16	\$237,055,855
Religion Related, Spiritual Development	648	68	\$18,074,486	1,085	135	\$33,836,085
Mutual/Membership Benefit Organizations, Other	5	2	\$3,103,383	13	2	\$4,477,859
Unknown	564	6	\$1,042,961	284	5	.
<b>Total</b>	<b>4,235</b>	<b>1,572</b>	<b>\$8,148,208,404</b>	<b>6,409</b>	<b>2,247</b>	<b>\$8,779,617,873</b>

Note: Includes supporting organizations, which are grouped in their field of activity

1995 total revenue is adjusted to 2003 dollars using the Consumer Price Index for the SF-Oakland-SJ MSA.

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Organizations: CompassPoint, PolicyLink, National Center for Charitable Statistics at the Urban Institute,  
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Map colors based on [www.ColorBrewer.org](http://www.ColorBrewer.org), by Cynthia A. Brewer, Penn State

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